

the taxpayer

SPRING 2013



**Honouring the Best of the
Worst of Government
Waste P14**

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From the President

Honouring leaders with conviction

Since our last issue, two well-known political figures passed away: former Alberta Premier Ralph Klein and former British Prime Minister Margaret Thatcher.

I had the great pleasure to meet both of them. And while they were very different people they each adopted policies that paved the way for economic growth and broader prosperity.

Ralph Klein demonstrated in the 90s that reducing the size of government (and indeed eliminating debt) could be achieved with wide public support and beneficial outcomes. The "Alberta Advantage" was in large part emulated by Liberals in Ottawa, New Democrats in Saskatchewan and Conservatives in Ontario. These policies ushered in a ten-year period where Canada led economic growth amongst industrialized nations.

Margaret Thatcher's impact may have been greater – in part because the patient was sicker – "Great" Britain was under audit of the International Monetary Fund when she became Prime Minister in 1979. Some of the statistics 11 years later are nothing short of breathtaking: some 50 government companies privatized, the top marginal tax rate on income was reduced from – wait for it – 83% down to 40% and an average of 900,000 strike days a month was reduced to 183,000 when she left 10 Downing in 1990.

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Troy Lanigan
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Thatcher is one of the few leaders in my lifetime that represented conviction over consensus. These were the days before being an "ideologue" was regarded as one of the worst insults hurled at an elected official. I never understood this. Ideology means you believe in something. Ideology means you have a compass and a set of principles that guide your vision. Today, most of our leaders believe whatever the latest poll tells them to believe.

It's in that spirit of conviction that I hope many of you will join us June 20th in Calgary where we will be honouring former Reform MPs Preston Manning, Lee Morrison and Werner Schmidt with the CTF's highest honour, the TaxFighter Award.

Twenty years ago these three gentlemen opted out of the gold-plated MP pension plan and never looked back. In so doing, they gave up an estimated – gulp – \$2.93 million in lifetime pension benefits.

We here at the CTF often hold politicians feet to the fire when they go offside; but it's equally important to commend politicians when they do the right thing.

Tickets are just \$55 each and can be purchased under the "Events" tab on Taxpayer.com.

Also, if you or your company are interested in sponsoring this event, we have a limited number of opportunities I'd be happy to share with you. Please e-mail me directly at tlanigan@taxpayer.com. 



CTF President Troy Lanigan with former British Prime Minister Margaret Thatcher in 2010.

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Letters to the editor



Reserve Accountability

I hope you succeed in your endeavour to have our chiefs and councils more financially accountable for the funds we receive from the federal government. On White Bear First Nation we have tried for so many years to get the federal government to conduct a forensic audit on our reserve. I know of fraud and gross misuse of band, federal and provincial funds. It is sickening. The grassroots people are severely affected by these actions and they are not being heard.

I wish you great luck and

Letters to the editor

Letters may be edited for length, content and clarity.

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pray that the Great Spirit will guide your efforts so that our people can one day have a life comparable to other Canadians!

Ivan R. Lonechild
White Bear First Nation, SK

Reforming the MP Pension Plan

Your winter 2013 edition of *the Taxpayer* was excellent. However, the article on pension reform (*MP Pension Reform: The fine print*) is not clear on several points, in particular, the definition of "full" pension and how they are calculated in the general public service.

For instance, my full Ontario government pension is calculated on my years paid in, which is $36 \text{ years} \times 2\% = 72\%$ (of best five years' salary). Another contributor with only 20 years of service at age 65 has only a 40% (of best five years' salary) full pension. Both are "full" pensions, but what a difference!

The term "full" is very misleading as it conjures up visions of everyone receiving basically the same lucrative amount.

How about clarifying these calculations in a future article?

Norm Knott
Thunder Bay, ON

Ed note: Thanks, Norm. Without question, pensions are a confusing topic. We've been trying to explain in the magazine and through some of our videos how public sector pensions work. We'll keep working on it at our end. Your letter is helpful.

Instead of burdening the working poor by raising taxes, fees, permits, etc. all politicians should do the right thing and a) postpone their pensions un-

til the age of 67 like the rest of us, b) stop giving golden handshakes to bureaucrats who were very well paid already, c) abolish the Senate, and d) stop subsidizing big business.

I wonder how many billions can be 'raised' by doing that?

I'm sending this same letter to several politicians, but they won't make changes that cost them personally unless Canadians are made aware and demand it... and that is why you folks at the CTF are necessary and appreciated.

Jackson Nem
Vancouver, BC

I just read about the fight the CTF won regarding MP pensions. Great work! It's about time and I can't wait until it takes effect as we all know how slow these changes can be. I think it is a gross injustice the amount of money an MP can take home after retirement and most of them don't work that long.

Keep up the great work. It's about time we Canadians stood up and said "enough." Actually, it's long overdue.

Melinda Reinprecht
Edmonton, AB

Oops

On page 17 of the winter edition of the *Taxpayer*, Joseph Quesnel wrote "the constitution was repatriated..."

This is incorrect. Until Moscow's former man in Ottawa, Trudeau, repatriated the constitution in 1982 the British North America Act was legislation of the British Parliament and formally resided in the UK until 1982. When the act was passed the Canadian Parliament, as we know it, did not exist.

Bob Newell
Waterdown, ON

Letters to the editor

Ode to the Federation

I believe your best contribution has been raising awareness of wrongdoings, the most newsworthy of which has been the MP pension boondoggle. I believe the more publicity given to government's wrongs and rip-offs, the more sensitive

taxpayers will become about all issues.

I wrote the words to a song I think someone should record about the MP pension rip-off and victory.

Here are the words...

*No need to steal, it's the law!
There once was a plan for MPs
That ripped off as much as they please
But to voters who felt all the grief
The plan seemed the work of a thief*

*It started some 20 years back...
For every buck from the MP
24 more from you and me
Preston Manning thought it was wrong
Protested and resisted all along*

*Jean Chrétien was boss at the time...
Preston led a group who said no
They fought all the way to the show (On the Hill, that is... dogs
and ponies. And Chrétien)
But Chrétien was greedy, you see
And kept the load on you and me*

*So here's how we're gonna handle it...
If we talk about how voters are had
They might learn then really get mad
The most talk we do is a shrug
That's so it stays under the rug*

*So the status quo continued for years...
MPs they came and they went
Some were quite straight, others were bent
Their approach was let's just don't talk
While we stuff more bucks in the sock*

*But then came the Federation. Taxpayers, that is...
They looked at what made all the smell
And wrote up their work quite well
They made it quite clear
This gold-plate shouldn't be here*

*The good guys pressed on...
Then more work to help us all know
Here's a rip-off that's just gotta go
It took time but it came to pass
They had achieved critical mass*

*And that, girls and boys, is the story of the pension plan that
never shoulda been.*

Brian Boyd
Orleans (Ottawa), ON



Taxpayer funded video game a bomb

Ontario taxpayers have subsidized a video game that many believe encourages eco-terrorism. The game was released by government-owned TVOntario.

The game, "Pipe Trouble," was initially available via pipetrouble.com but has since been pulled after drawing media attention. The game was based on a "Big Oil" company trying to build a pipeline through farmland and forested areas. Players assume the role of an oil company rep who tries to find the most economic route for the pipeline. You must stick-handle past a volatile farmer and avoid eco-terrorists who try to blow up the pipeline with bombs.

Depending on how well one plays, the pipeline could end up blowing up or even killing people and cattle through leaks.

The game was designed as part of TVOntario's documentary entitled "Big Oil & Gas." Combined, the two cost taxpayers \$100,000.

Partial proceeds from the sale of the game were intended for the David Suzuki Foundation. TVOntario said it will "review" the game before deciding whether to re-release it.

With files from *Sun News / CTV News*

The twerps strike again

When auditors asked tenured McGill University professor Avi Chaudhuri to justify how he spent research money, the professor complained to the dean of the psychology department that he was not going to let "twerps with an accountancy diploma" embarrass him.

Seven months later, Chaudhuri was fired when the accounting "twerps" discovered nearly \$160,000 in improper use of research funding – much of it received through government agencies.

It started in 2004, when Chaudhuri's mother suffered a stroke and he arranged to fly her back to India, where it was expected she would die. Chaudhuri used his McGill expense card to purchase a \$19,500 bed designed for incapacitated stroke victims, which he sent to India. Chaudhuri claimed the purchase was part of a study he was doing on strokes. The auditors disagreed.

Chaudhuri also spent \$140,000 on 14 trips to India, which the auditors concluded were not legitimate research expenditures. In fact, the auditors noted on some trips – on which he claimed to be doing university-related research – Chaudhuri was actually being paid by a private company, PAC Med Biotech.

With files from the *National Post*

Buying organic votes

Before the provincial election, the B.C. government dipped into the corporate welfare trough in order to make a splash.

One of the lucky recipients was Sunshine Organics. With two locations in Comox Valley and Powell River, the business delivers "organic" food produced by local farmers to consumers and retail outlets in the area.

The provincial government gave the company \$100,000 to expand its customer base, which at the moment consists of just 160 customers in total for both outlets.

With files from the *Comox Valley Record*

Subsidizing a \$25 billion contract

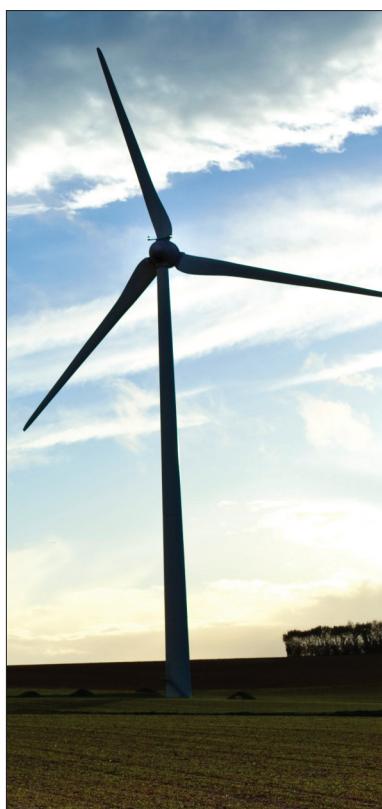
Nova Scotia taxpayers just discovered they are on the hook for up to 8.5% of the salaries at the Irving shipyard, courtesy of the government's shipbuilding program.

The Nova Scotia government provided the corporate welfare as part of Irving's bid to construct the next generation of Canadian warships. Irving won the largest portion of the bid, \$25 billion.

Incredibly, the N.S. government loaned Irving's company \$260 million. Under the contract terms, the government will forgive Irving from repaying the equivalent of up to 8.5% of its salaries paid over the life of the contract.

In addition, the 4.5% interest rate charged on the loan is "forgivable" provided hiring targets are met.

To top it off, the company can receive forgiveness of another 5% of the loan if it uses the full amount of the money loaned, which is currently available in the form of a line of credit



Working or not, windmills cost taxpayers millions.

that Irving can draw on as needed.

With files from the *Chronicle Herald*

Deal rigging at bureaucrats' ethics school?

Two senior bureaucrats were suspended after an internal audit uncovered evidence of deal rigging in contract bids at the federal government's Canada School of Public Service (CSPS).

CSPS provides training for federal bureaucrats to help bureaucrats "better understand the key principles and policies related to values and ethics in the public sector."

Irregularities were uncovered in 14 contracts awarded between 2008 and 2012 with a total value of \$1.7 million. The evidence showed the contracts were rigged so they would be awarded to preferred customers. The two managers involved apparently circumvented controls to award contracts.

The audit was sparked by claims of favouritism and brown envelopes sent to the Public Works Department that oversees the school.

With files from the *Ottawa Citizen / Canada School of Public Service*

Micro pork barreling

The federal government announced another handout in support of French in Ontario.

However, this is a very boutique handout.

The federal government via Public Works and Government Services and the Status of Women provided \$200,000 to La Passerelle - Integration et Development Economique for a project to promote leadership among "young visible minority francophone women" in Toronto.

Yes, this grant is not limited to just women, but specifically women in Toronto. But not just any woman, they have to be francophone women. But not just francophone, they must be non-white and between the ages of 18 and 24.

One critic called it "micro, micro pork barrelling."

With files from godscopybook.blogspot.com / [Government of Canada news.gc.ca](http://GovernmentofCanadanews.gc.ca)

The money, my friend, is blowin' in the wind

Will Ontario taxpayers be

on the hook for \$200 million in wind power they don't need?

Ontario presently gets 2,700 megawatts of power from wind and solar energy. That number is expected to hit 8,100 megawatts by 2016.

One of the major problems with wind generation is it often produces electricity at times it isn't needed. At night, when power consumption is low, the windmills can often churn out excess power. Conversely, during periods of high winds, more power is often produced than Ontario's system can handle.

Since there is no economical way to store the power, it must be siphoned off to avoid overloading the system. During these times, wind operators will sell this excess power at a discount to neighbouring provinces – at times even having to pay others to take the power.

Under the current arrangement, the Ontario government guarantees a price for every kilowatt produced and picks up the difference for the wind operators when these sell-offs occur – basically paying for power Ontarians don't use.

Through higher electrical bills, Ontario consumers ultimately pay for this massive sell-off.

The government wants to see this arrangement changed, noting that with the coming increase in wind and sun power generation, costs for this excess power could exceed \$200 million a year by 2016.

Wind and sun generators are opposing any changes to the current compensation arrangement.

With files from the *Toronto Star*

BDC funds Al Gore's global warming propaganda

The Business Development Corporation (BDC) is a federal agency that provides financing, consulting and venture capital to small-to-medium Canadian businesses.

The BDC also provides funding to Climate Reality, a U.S. eco-group that sends speakers to schools and community groups propagating Al Gore's doomsday warnings about man-made global warming.

According to data released by QMI



Goodluck spending foreign aid on concerts?

Agency, the BDC has provided at least \$30,000 to Climate Reality since 2010. In a letter of gratitude to BDC, Climate Reality said the donation would not only help fund 350 eco-speakers, but also help tailor Al Gore's message to a Canadian audience.

With files from QMI Agency

\$60 a day for snack food

The Manitoba Association of Native Fire Fighters was responsible for providing food to Aboriginal evacuees that were put up in Winnipeg hotels during Manitoba's 2011 flooding.

Documents uncovered by the *CBC*, show that in addition to providing three meals a day, the association authorized spending over \$1 million on evening snacks for the evacuees.

Between April and December 2012, Winnipeg's Mona Lisa Ristorante Italiano restaurant sent \$1,500 worth of snack food each night to each hotel housing Aboriginal evacuees. Reaching as much as \$60 per day per evacuee, the bill for snack foods was at times higher than the bill for supplying three meals a day. Combined, the costs for snacks and three meals a day reached \$111 per person.

According to sources, a number of non evacuees were also enjoying the snacks and reports from the hotel staff described the left-over snack food being thrown out each night as "ridiculous."

With files from *CBC*

Ontario's 1% grows by 11%

Ontario's sunshine list breaks down the number of government employees earning in excess of \$100,000 in the province.

The 2012 list saw its numbers increase by 11% over the previous year, up from 79,000 employees to 88,412. And this happened during a time of supposed gov-

Politicians want to go into people's homes and tax their jewelry



ernment restraint.

Heading this year's list was the president of Ontario Power Generation, who took home \$1.7 million. The corporation has no competition and consumers are forced to use its services.

Other interesting facts:

- The average salary on the list is \$127,525;
- 1,395 employees from Toronto's transit system were on the list, including ticket collectors;
- 40% of Toronto's police are on the list, including one cadet-in-training. The list also included six parking enforcement officers.

With files from QMI Agency / *Toronto Sun* / *Taxpayer.com*

Two windmills go AWOL at penitentiaries

Over the past five years, Correctional Services of Canada (CSC) built two windmills to provide electricity for correctional facilities. Dorchester Penitentiary in New Brunswick had its windmill installed in 2009 and the Drumheller Institution in Alberta in 2010.

These windmills don't come cheap. Dorchester's cost taxpayers \$2.5 million.

Through this purchase, CSC hoped to supply 20% of these institutions' energy needs. However, since they were installed, both windmills have suffered serious mechanical problems and maintenance costs.

The one in Dorchester sat idle for months and is still not operational. CSC refused to tell reporters how long it has not been working or how much energy it supplied the institution, but admitted it has spent \$60,000 so far on repairs.

In Drumheller, the windmill basically sat idle for nearly two years due to various issues ranging from battery problems to the bankruptcy of the company handling maintenance.

With files from *CBC News*

Singing away foreign aid

The federal government hands out billions of dollars in foreign aid each year through multiple programs. One of the recipients is Nigeria, which in 2010-2011 received a total of \$29 million from Canadian taxpayers. Canada and other countries have poured hundreds of millions of dollars into this impoverished nation for

decades.

It was recently discovered that Nigeria allegedly used foreign aid in very questionable ways.

News reports state that in 2006, current Nigerian president Goodluck Jonathan – who at the time was Governor of Bayelsa State – authorized the release of \$1 million from the state's poverty alleviation fund to help pay for the launching of This Day Music Festival. The money was used to help bring in prominent stars – Beyoncé and Jay Z.

This February, the Nigerian government reportedly paid Kim Kardashian \$500,000 to make an appearance at the Love Like a Movie event in Lagos. According to reports, she spoke for just 45 seconds.

With files from *dailymail.co.uk / Canadian International Development Agency*

Defender of country and calendars

When you purchase calendars, what is one thing you need to get right?

Well, if you guessed dates and holidays, perhaps you should work for the Department of Defense because they apparently never got that memo.

In January, the Canadian army reprinted 10,000 calendars at a cost of \$11,796 because it had holidays such as Thanksgiving, Christmas and Easter on the wrong days.

With files from the *Windsor Star*

New tax-grabbing ideas

With the Ontario Medical Association calling for that province's government to impose a tax on junk food, here are some other tax-grabbing ideas making the rounds:

Taxing emails

A municipal politician in California says emails should be taxed. Under Berkeley city councilman Gordon Wozniak's idea, every time you pressed send, you would also send money to the government. This tax would be a part of a much broader tax on internet usage. – *Foxnews*

Taxing mileage

Metrolinx – which operates the Toronto area's transit systems – proposed a bevy of tax ideas

\$60 a night for snacks

in order to raise money to fund future expansion. The list included a fee on the number of kilometres people travel in their cars, a parking space levy, highway tolls and high-occupancy tolls. – *Sun News*

Taxing savings account

In order to receive further financial assistance, the European Union demanded Cyprus tax savings accounts by 6.75% or 9.9%, depending on the size of the account. Cyprus was forced to shut down access to its banks when the proposal caused a run on money. Because of widespread protests, the government backed away from EU's initial proposal but it seems it will eventually be forced to tax savings accounts in excess of €100,000 in order to receive financial assistance. – *AOL Money*

Taxing jewelry

In England, Liberal Democrats proposed a yearly tax on jewelry and other items such as family heirlooms, paintings, antiques, furniture, etc. Each year, citizens would be forced to declare these assets and pay a tax. Under the plan, tax collectors would have power to enter homes and test the valuations citizens assigned their items. – *dailymail.co.uk*

Ontario's eHealth strikes again

Ontario taxpayers were hoping the financial scandals that plagued eHealth over the past few years were behind them.

It has been discovered that Alice Keung – who was recently hired as chief operating officer for eHealth – wrangled a deal under which the agency agreed to pay her costs for obtaining a PhD. Taxpayers will

cough up for books, travel and tuition etc. She works in Toronto but goes to school in Ottawa.

Over the last four years, Keung's salary has increased by almost \$120,000 and now sits at \$246,696 a year. This of course raises the question: couldn't the government find an individual who already has a PhD at that salary level? Of course, once she gets the education paid for by taxpayers, will she qualify for another raise because of it?

With files from the *Toronto Sun*



Federal budget 2013:

Baby steps toward a balanced budget



by Gregory
Thomas
Federal Director

When Finance Minister Jim Flaherty stood in the House of Commons to deliver his 2013 budget speech, he opened with a stern warning against reckless spending and deficit budgets.

"Every Canadian family knows," Flaherty told MPs, "that when expenses outstrip income, the future of the whole family is at risk."

"And this government knows – even if some in this House do not – that no nation can borrow its way to long-term prosperity," he added.

Given the minister's tough talk, it was a surprise to turn to page 287 of the budget and see that the minister plans to boost spending \$2.5 billion this year, and run the nation \$18.7 billion deeper into debt.

It's not clear whether Flaherty was directing his lecture towards the NDP, who have never formed a federal government, or to the

Liberals.

The Liberals, after all, delivered nine consecutive surplus budgets before their defeat in 2006, leaving Canada 'only' \$32.5 billion deeper in debt after 13 years in office. And the Liberals had inherited a fiscal mess in 1993: a \$39 billion deficit and interest charges that consumed \$1 out of every \$3 in revenue.

By comparison, Mr. Flaherty's 2013-14 budget will be the sixth deficit budget in a row. If he finally balances the budget on his eighth attempt in 2015-16 as he promises, and he meets his projections, he will have added \$152.5 billion to the national debt. When Flaherty took office in 2006, Canada had run a surplus of \$13.2 billion the previous year, with \$6.57 of revenue coming into the treasury for every dollar of interest payments going out the door.

So the finance minister doesn't exactly have good cause to lecture the Liberals. But if you plow through the budget documents and then dig deeper into the government's spending plans, there

are reasons to believe that he's actually putting his strong words into action. The Conservatives are starting to tighten the tap on spending.

But the Prime Minister's election promise – to balance the budget by 2014-15 without raising taxes – is being broken in two ways. The Conservatives expect to run a deficit of \$6.6 billion in 2014-15. And they introduced a number of small, but very real, tax increases in this Spring's budget.

Flaherty described the tax hikes as 'closing loopholes' and the finance minister shone a spotlight on small items of tax

Jim Flaherty's changing budget forecasts for the 2013-14 fiscal year (Surplus/Deficit in \$ Billions)

Forecast date	Jan 2009	Nov 2009	Mar 2010	Nov 2010	Mar 2011	Jun 2011	Nov 2011	Mar 2012	Nov 2012	Mar 2013
Surplus/deficit	\$0.7	-\$11.2	-\$8.5	-\$11.5	-\$9.5	-\$9.4	-\$15	-\$10.2	-\$16.5	-\$18.7



relief contained in the budget.

He eliminated tariffs on baby clothing and hockey equipment. He extended a program of faster write-offs for investing in machinery and equipment. He introduced a new, higher tax credit for first-time donors to charity. He raised the lifetime capital gains exemption for farmers and small business owners to \$800,000.

But many of the so-called loopholes the finance minister closed in the budget were valuable tax breaks. Their disappearance is going to hurt. Higher tariffs on goods from nations such as China and Korea are forecast to cost Canadians \$333 million annually when they are fully in effect in 2015. The tariff reduction on baby clothes and hockey equipment is forecast to save Canadians just \$76 million in 2015.

Small business owners will collectively pay an extra \$535 million in taxes per year starting in 2015 because of changes to the dividend tax credit.

Credit unions will pay \$40 million more in tax in 2015. Life insurance policy

holders will lose \$80 million in tax savings from the elimination of two insurance-related tax shelters.

And payroll taxes continue to rise. Employment Insurance premiums have risen 25% over the past five years. EI tax revenue was \$16.7 billion when the Conservatives took office in 2006. By the time the budget is balanced in 2015, that number is expected to top \$25 billion.

Flaherty is raising revenues so he can balance the budget in 2015-16, even with federal tax revenue at its highest level on record. In January of 2009, in the teeth of the financial meltdown, the finance minister expected this year's budget to show a surplus of \$700 million. Later that year, he predicted a deficit of \$8.5 billion in 2013-14: this year's deficit predictions have since grown to \$9.5 billion, \$10.2 billion, \$16.5 billion, and now \$18.7 billion, even as the economy recovered.

The forecast deficit keeps expanding because the Conservatives have failed, until now, to put the brakes on spending. In response to the financial meltdown, they hiked spending in 2009-10 by \$36 billion – a 15% increase in a



The CTF's Debt Clock in front of Finance Minister Jim Flaherty's constituency office in Whitby, Ontario.

single year.

Since the Conservatives took office, they've increased spending by 34%. This coming year, as the 2014-15 election promise deadline approaches to balance the budget, they hope to hold spending increases to less than 1%.



Jim Flaherty/Wikipedia/Joshua Starmer

Given the Finance Minister's tough talk in his budget speech, it was a surprise to see he had run Canada another \$18.7 billion deeper in debt.

Can Jim Flaherty and Stephen Harper succeed and control spending? Where – and when – will they apply the brakes?

In future issues of *The Taxpayer*, we will explain the government's cost-cutting plans, and keep you updated on their progress. **T**

Those snowballing tax credits

by Jason Clemens and Niels Veldhuis
Fraser Institute

More people don't have any skin in the game — they don't pay taxes. With economic growth slowing and a goal of balancing the budget by 2015, Finance Minister Jim Flaherty had little fiscal room for major new initiatives in this spring's federal budget. The disappointment is that the Conservatives continued with their fondness for new and/or expanded tax credits which have been sprinkled through federal budgets over much of the past five or six years (e.g. Working Income Tax Credit, tax credits for family caregivers, children's arts and fitness, and volunteer firefighters to name but a few).

While some of these credits are fairly targeted at low-income households, there

is an increasing risk that expansion of these credits will result in an increase in the proportion of Canadians exempt from personal income taxes. For example, the percentage of tax-filers who

faced no income tax has already increased from 32% in 2000 to 37.7% in 2010.

The trouble with removing individuals from the income tax rolls through credits or other means (i.e. increasing exemptions) is that it establishes the foundation for ever-increasing demand for more gov-

ernment programs and services, irrespective of their benefits. Indeed, one of the explanations for the dysfunction of U.S. politics, which is often ignored or dismissed, is the marked change in the balance of Americans who contribute to taxes compared to those exempted from this burden.

individuals or households — paid no income tax. Further, 27.6% paid neither income nor payroll taxes.

A key reason such large percentages of Americans are exempt from these two key taxes is tax credits, which reduce the tax liability for certain people. In particular, the U.S. Earned Income Tax Credit (EITC) has served to shelter a considerable number of Americans from paying either income or payroll taxes.

This has not always been the case. When the EITC was first introduced in 1975, about 9% of American families were eligible. In 2009, the latest year for which data is available, almost 24% of American families received EITC benefits.

Another change of note is the share of EITC benefits that are refundable, which means they not only reduce or eliminate income taxes but can also result in a re-

A large and growing number of U.S. households pay no taxes, which fundamentally changes their decision-making. Since they no longer pay for government services, even bad services make economic sense to them.

Canadians should take note of what's happened down south as the building blocks of such changes are a rising threat to Canada.

The data for the U.S. in terms of who pays taxes and who doesn't are fairly clear. In 2011, according to the left-leaning Tax Policy Center, 46.4% of American tax units —

a little over 12% of total income.

This data only accounts for the cost side of government, namely taxes. It does not adjust for the nature of government spending financed by taxes. Such adjustments result in an even more concentrated burden for high-income earners because so much of what government does is either targeted for low and middle-income families or spent broadly across the economy on things like defence.

This change in the distribution of who pays and who gets has had a profound effect on the functioning of the U.S. political system. The traditional framework for political decision-making, which is simplified here, is that citizens are offered competing views regarding the efficacy of government action and decisions are reached through elections.

This democratic decision-making process has fundamentally been distorted in the U.S. in a number of ways, including the large and increasing proportion of American households not contributing to taxes in any meaningful way. Put colloquially, a large and growing number of U.S. households have no skin in the game, which fundamentally changes their decision-making. Given the real absence of costs to these households for government services, even bad services make economic sense to them.

Citizens make decisions about the advisability of a

fund that offsets other taxes such as payroll taxes. In 1975, 72% of EITC benefits were refundable while in 2009 a little over 91% of EITC benefits were refundable.

The result of these changes is that the U.S. now relies more on top earners for revenues than any other industrialized country.

Simply put, when all federal taxes are considered, the top 20% of earners in the U.S. shoulder almost 70% of the total tax burden while earning 54.6% of total income. They are the only group in the U.S. whose share of income is less than their share of taxes. For example, the bottom 40% of earners pay 2.9% of total federal taxes while earning

When people no longer pay taxes, they pressure government for more programs and benefits with little concern about costs and how they will be paid for.

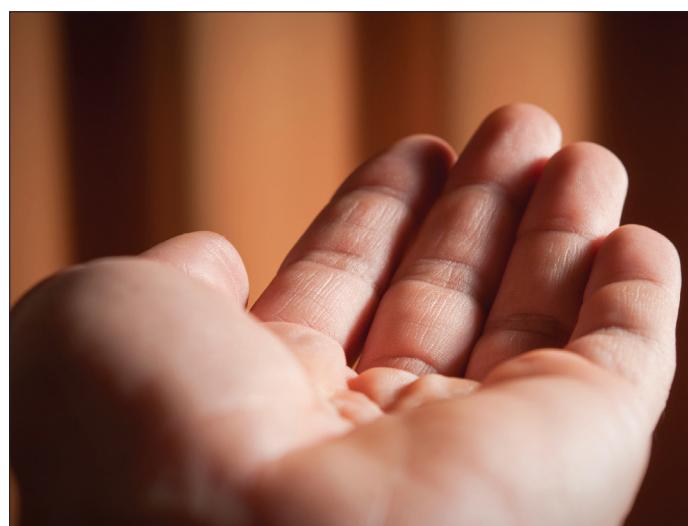
new or expanded government program based on the expected benefits versus the expected costs. In elections, highly concentrated tax burdens can become a factor.

The experience of the United States is a cautionary tale for Canadians. Specifically, Canada has introduced two tax credits that parallel U.S. programs that increasingly shelter middle-income households from the burden of taxes: the Working Income Tax Benefit (WITB), which is almost exactly identical to the U.S. EITC, and the Child Tax Credit (CTC), which actually shares its name with its U.S. counterpart.

The risk is that like their U.S. equivalents they will grow over time and become programs for the middle class. Indeed, WITB has already been expanded significantly in 2009, just two years after it was introduced. The cost of WITB went from \$480 million in 2008 to \$1.025 billion in 2009.

The key to avoiding the problems observed in the U.S. is restraint and continued targeting of tax programs like WITB. Let's hope that Mr. Flaherty continues to avoid the mistakes of the United States. **t**

Jason Clemens and Niels Veldhuis are co-authors of "Tax Payers and Tax Takers," available at www.fraserinstitute.org.





Denmark's Fat Tax: Lessons for Canada

Cross-country Tour with Jens Klarskov



by Scott
Hennig
VP Communications

Combine rising obesity rates with government deficits and you get politicians who are unlikely to resist pressure from various interest groups to implement a tax on "unhealthy foods."

Proponents of such a tax, including the Ontario Medical Association (OMA) and Coalition Poids in Quebec, have been trying to convince governments that these types of taxes will a) make people healthier and b) raise a lot of revenue for government.

Unfortunately, some of these crazy food tax ideas are starting to gain traction. Quebec's Minister of Health, Réjean Hébert, has called for a 70-cent tax on every two-litre bottle of pop.

The Canadian Taxpayers Federation was created 23 years ago in response to the introduction of

the GST. The lesson learned at that time is not to wait until a new tax is in place to start the fight. As a pre-emptive strike against these food and drink taxes, the CTF organized a cross-country media tour in February for Jens Klarskov, head of the Danish Chamber of Commerce.

The Danish Experiment

On Oct. 1, 2011, after nearly two years of bureaucratic wrangling, the Danish government introduced a national "fat tax." The tax was levied on foods containing more than 2.3% saturated fats. Charged at a rate of 16 kroner (\$2.92 CDN) per kilo of saturated fat, it increased the price of such foods as a package of butter from 15.50 kroner (\$2.83 CND) to 18 kroner (\$3.29 CND). The tax was levied on thousands of products, ranging from cheese to chick-

The fat tax was unanimously approved by the Danish parliament and a year later unanimously repealed by the Danish parliament.

en breasts to jalapeños.

The Danish Chamber of Commerce estimated that small businesses each spent between 100,000 and 300,000 kroner (\$18,247 to \$54,731) to update their computer programs to deal with the complicated tax structure for every different product.

The "fat tax" was ultimately deemed ineffective, as one in two Danes were shopping for food in neighbouring Germany to avoid the tax. In fact, German stores proudly advertised "No fat tax here!" in flyers distributed to homes throughout Denmark.

The "fat tax" also created a number of bizarre scenarios. For

instance, a jar of jalapeños marinating in oil would be taxed as if the consumer was going to end up drinking all of

NATIONAL POST QUESTIONS & ANSWERS

Fat taxes like ‘shooting rabbits with nuclear weapons’

At the behest of the Canadian Taxpayers Federation, the head of Denmark's Chamber of Commerce is in the midst of a cross-Canada blitz warning against the sort of “fat tax” Denmark introduced in 2011 – and then repealed in 2012 amid bizarre, mostly unanticipated consequences. The Ontario Medical Association, the Alberta Policy Coalition, and a Quebec group promoting weight awareness called Coalition Poids have all called on governments to impose food or beverage taxes to promote healthier consumption. But Jens Klarskov told the National Post's Kathryn Blaze Carlson on Wednesday that controlling diet with taxes is neither straightforward nor beneficial.

Q What does “*fædtafgiften*” mean?
 A That’s the fat tax. It was introduced first in 2009 but didn’t come into effect until the fall of 2011 because it proved so difficult to calculate. Very bright Danish government officials spent a year and a-half trying to figure out how to bring the real world

ies had to send foods to a laboratory and then report to the Danish tax authorities. They had to be specific and precise, and then pay [the fat tax].

And then the cost was passed to the consumer? Of course. It’s not as though we could see the tax coming. It was part of a plan to decide what was natural and what wasn’t.

before the law [came into effect] and when they crossed the border to shop.

We can’t say positive outcomes? The fat tax did have some and it caused a debate whether we should have people eat healthy foods.

Was it a positive outcome? We can’t say positive outcomes? The fat tax did have some and it caused a debate whether we should have people eat healthy foods.



DENMARK CHAMBER OF COMMERCE
Jens Klarskov.

the oil. Meanwhile, fatty coconut milk was not taxed at all due to an exemption on nuts.

In November 2012, after only one year in effect, the Danish government repealed the “fat tax,” citing overwhelming criticism from both shoppers and industry.

Denmark is the example of a nation that tried and failed when trying to tax unhealthy foods. The tax was nearly unanimously approved by the Danish

Parliament and was nearly unanimously repealed by the Danish Parliament a year later.

The Denmark Chamber of Commerce was a leading voice opposing the introduction of the “fat tax.” The CTF was grateful to Mr. Klarskov, a warrior in the battle against the fat tax, for making himself available for a quick cross-country tour, hitting Toronto, Montreal and Vancouver.

The goal of the tour was to tell Canadian media and politicians what happened in Denmark. During his four-day Canadian tour, Mr. Klarskov conducted media interviews with television stations, radio stations, major daily newspapers and magazines, gave a speech in Toronto and met with both the Minister of Health and the opposition critics for health and finance in British Columbia.

In all, Mr. Klarskov reached over eight million Canadians.

But the fight against new food taxes isn’t over. In fact, it’s just begun.

Make no mistake, those who think that they know best what you should feed your family are conspiring with those who love to tax and spend. Canadians who don’t want to see their food prices artificially rise due to new, bureaucratic taxes will have to be prepared to fight back. **t**

Select
Media Interviews
From Jens Klarskov
Canadian Tour

Canadian
Business
Magazine
818,000
readers

National
Post
371,000
readers

Tommy
Schurmacher Show
(CJAD Montreal)
58,000 listeners

Rick Howe
Show (News 95.7
Halifax)
7,700 listeners



Indigenous & Independent by Joseph Quesnel

First Nations: Look to Yourselves



by Joseph Quesnel

First Nations need to look to themselves for answers to their problems.

Idle No More protesters earlier

this year focused to a great degree on what the federal government could do to advance First Nations. Talks between Assembly of First Nations (AFN) and top government officials also focused on top-down change.

However, First Nations have tools to advance themselves. But accessing these tools requires transformative leadership from the bottom up, not necessarily from the top down.

Bands can achieve only so much through grand deals and negotiations between the AFN and the government.

Since 2006, the Frontier Centre for Public Policy has produced its annual Aboriginal Governance Index, which measures good governance on Prairie bands. One observation we have confirmed over and over is that band governments can do better in spite of the *Indian Act*.

This still means the *Indian Act* needs to go eventually, but in the meantime meaningful improvements can be made.

Becoming transparent, for example, does not require an *Indian*

Act overhaul. Bands right now can voluntarily post all of their important financial and electoral information online. In fact, our data confirm that the best-performing bands already do this now.

First Nations can cultivate relationships with outside businesses right now without changing the *Indian Act*. The most successful communities are proactive in courting outside investment.

One area where the government can certainly help is through treaty implementation, particularly as it relates to expedited land claims settlements and improved access to the Treaty Land Entitlement (TLE) process. The TLE involves access to lands for mainly commercial and residential purposes.

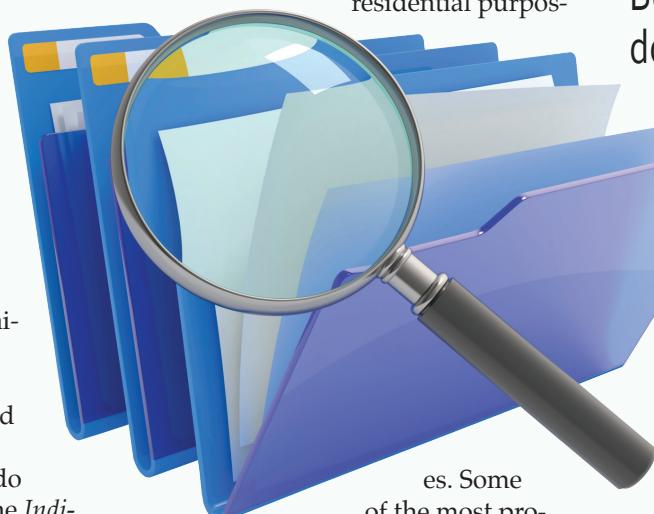
A Federal Court ruling found the government failed to consult the band when it sold the now-vacant land. A group of First Nations wishes to develop the land for residential and commercial purposes. By securing this land, these bands can access own-source revenue streams and help reduce dependency.

However, treaties alone will not guarantee improved living conditions and eventual prosperity.

There are some practical steps bands can take to improve themselves, but that will require First Nation-driven leadership and some government help.

Becoming transparent does not require an *Indian Act* overhaul.

Bands can voluntarily post financial documents online any time they want to.



es. Some of the most progressive-minded bands already focus on developing lands beyond their reserve base.

One example is the Kapyong Barracks in Winnipeg. A former Canadian Forces base, the 90-acre site now sits on prime lands.

The first measure is encouraging more bands to enter the *First Nations Land Management Act* (FNLMA) regime, legislation that removes participating bands from land management provisions of the *Indian Act* and ena-

Indigenous & Independent

by Joseph Quesnel

bles them to develop their own land codes.

FNLMA allows First Nations to overcome *Indian Act* economic development barriers. Through extensive research, the Aboriginal Economic Development Board concludes that bands under FNLMA have better outcomes than bands not under it. According to Census 2006 data, the average income of \$22,883 for First Nations people living in communities operational under the FNLMA or that have moved on to self-government agree-

First Nations with real property taxation bylaws have improved economic outcomes and the longer they have been doing it, the more significant the improvement.

ments was \$4,554 higher than average incomes for First Nations people living in communities not enrolled in the FNLMA.

The second way for First Nations to advance is for more bands to enter into real property taxation regimes on band lands through S. 83 of the *Indian Act* and the *First Nations Fiscal and Statistical Management Act* (FSMA). This allows those com-

munities to leverage economic activity on their lands for the community's benefit.

The Aboriginal Economic Development Board suggests that First Nations with real property taxation bylaws have improved economic outcomes. Bands with bylaws for a longer period of time tend to perform significantly better than bands without. According to the First Nations Tax Commission – a public First Nations institution – partici-

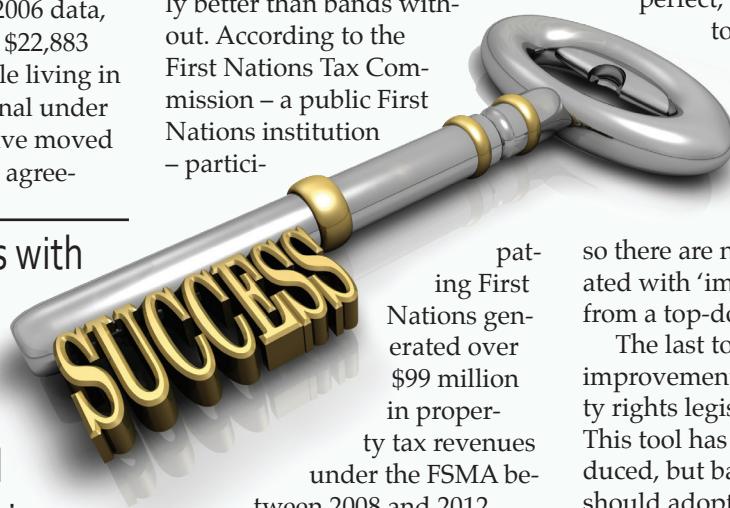
toral systems, governance bodies (including internal 'checks and balances') and dispute resolution mechanisms. These institutions and mechanisms should all be clearly enumerated in First Nations constitutions. The federal government can help assist bands seeking this path.

None of these measures are perfect, but they provide tools for First Nations to improve their condition on the ground. Most of these measures are optional and voluntary,

so there are no problems associated with 'imposing solutions' from a top-down government.

The last tool for First Nations improvement is optional property rights legislation for reserves. This tool has not been introduced, but bands that are ready should adopt it when available. Many bands are ready and willing to assume fee simple property ownership on parts of their reserve lands. This will generate revenue streams for their communities as it would provide security of title to lease holders.

Idle No More was positive in that it focused public attention on the need for serious on-reserve reforms. Now that the public has been motivated, it's time First Nations citizens demand their own governments find the answers to their problems. **t**



pating First Nations generated over \$99 million in property tax revenues under the FSMA between 2008 and 2012.

First Nations can also improve governance problems on their own. For bands not completely ready to leave the *Indian Act* and ink self-government agreements, First Nations and the federal government can work towards allowing more bands to adopt band custom systems and band constitutions. Bands can opt to remove themselves from the electoral provisions of the *Indian Act* and in fact, most bands across Canada do.

First Nations must take their own systems and constitutions seriously and Ottawa must create independent dispute resolution mechanisms instead of only leaving court litigation as arbiter.

These systems allow First Nations to adopt their own elec-

A Metis, Joseph Quesnel is the former editor of the Winnipeg-based Aboriginal newspaper *First Perspective* (www.firstperspective.ca) and a regular contributor to the *Winnipeg Sun*. Presently, he works as policy analyst with the Frontier Centre for Public Policy in Lethbridge, Alberta. Joseph is a long-time advocate for limited government.

You?asked for it

Dora Bezjuk from Toronto, ON asks: I've heard the Chrétien government

spent all of the surpluses in the federal government employees' pension fund, does that mean that taxpayers need to cover the shortfall or do employees?

Nick Bergamini, Research Director answers:



by Nick Bergamini
Research Director

Thanks for your question. To answer, we need to go back to 1870 when the federal government first created a pension for its employees. Every year, money would be taken off the paycheques of workers for their pension contributions. But this money wouldn't go into a dedicated pension account. Instead it was deposited directly into the federal government's Consolidated Revenue Fund; the account where the government keeps all its general revenues.

When a worker retired and became eligible for his pension, the government would simply cut him a cheque every two weeks from its general revenue account. So there were no real assets associated with the pension plan; simply a commitment from the government to pay retirees their pensions.

Federal employees are entitled to what's known as a 'defined benefit pension plan.' These pensions offer

guaranteed benefits to their members regardless of the state of the economy or the government's finances. In other words, short of the Canadian government going bankrupt, unionized federal employees will continue to receive guaranteed pension benefits.

The federal pension differed from others in that the money from contributions was not actually pooled together and invested in stocks, bonds and real estate. The Ontario Teachers' Pension Plan, by contrast, holds a portfolio worth \$117.1 billion in assets, with investments in big companies like Hitachi and Microsoft.

So why does any of this matter?

In 1999, the government had accumulated a \$28

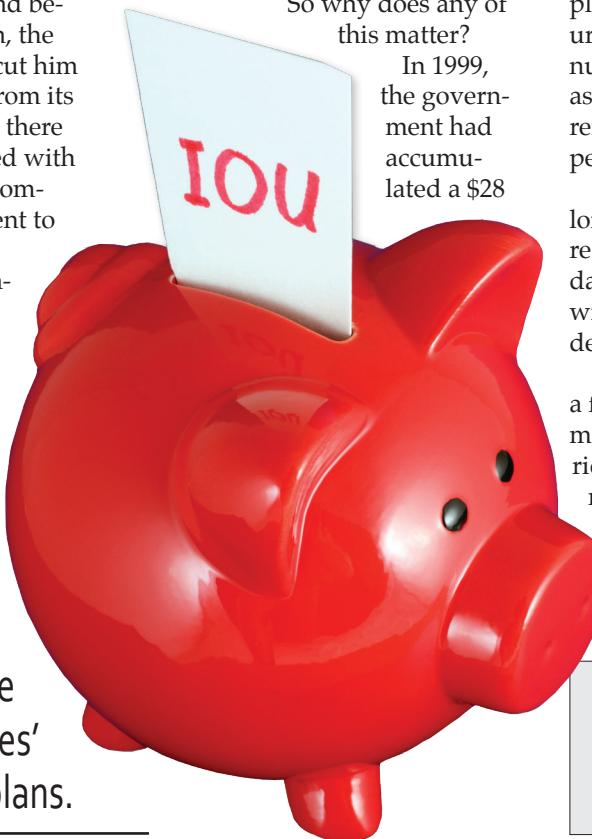
billion 'surplus' from the pension plan for public servants, the RCMP and military. While there wasn't actually an account with that money in it, the government came up with the figure by adding up all the money that was contributed to the pension plan minus all of the benefits that were paid to retirees. The Liberals led by then-Prime Minister Jean Chrétien decided to use this money to pay down government debt.

Public sector unions quickly sued the government, arguing that the surplus belonged to their members. In its defense, the government pointed out that the \$28 billion surplus was simply an accounting figure to keep track of pension revenue, spending and interest, with no assets to back it up. The employees remain simply entitled to their own pension benefits.

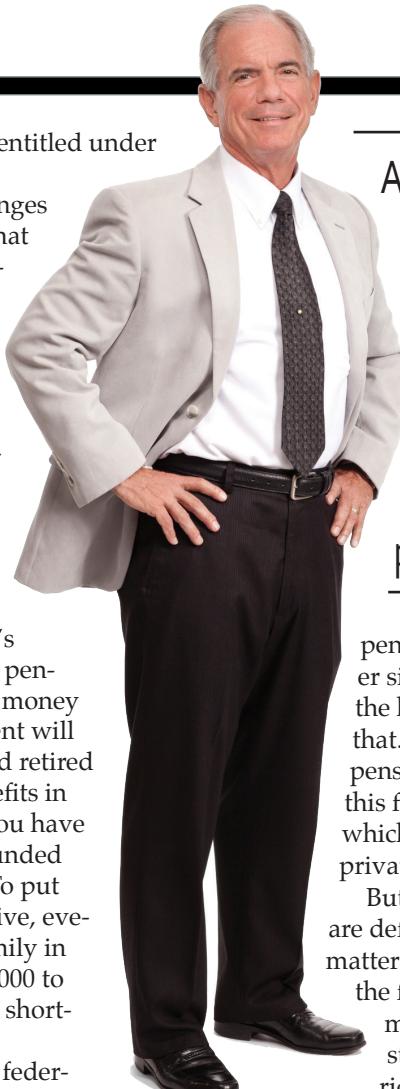
This resulted in a costly, decade-long legal battle which eventually reached the Supreme Court. Canada's highest court ended up siding with the government, echoing its defense in a 79-page ruling.

"The government was not under a fiduciary obligation to the plan members, nor was it unjustly enriched by the amortization and removal of the pension surpluses," wrote Justice Marshall Rothstein. "The plan members' interests are limited to their interest in the defined benefits

Every family of four will cough up \$17,000 to pay the shortfalls in the federal employees' pension plans.



Want the CTF to tackle your question? Ask for it by e-mail at:
research@taxpayer.com



to which they are entitled under the plans."

Since 2000, changes have been made that now keep the pension money in a separate account that is invested in the market. The C.D. Howe Institute estimates that the value of the federal pension fund stands at \$65 billion. But compare this with the fund's \$331 billion dollar pension liability – the money that the government will owe its current and retired employees in benefits in the future – and you have a \$266 billion unfunded pension liability. To put things in perspective, every four-person family in Canada owes \$17,000 to cover the looming shortfall.

This is because federal government employees are entitled to one of the most generous pension plans in the country, second only to Members of Parliament. According to the Treasury Board website, pensions accrue at 2% per year for up to 35 years. That means that a federal employee who worked the full 35 years for the feds would get 70% of their average best five years of salary.

All federal employees are eligible to start collecting their pensions at age 60 (although this was raised to 65 for new hires in the 2012 federal budget). Pension benefits are indexed to cover cost of living increases.

According to the C.D. Howe Institute, federal employees contribute about 7% of their salary to the

A federal employee who works for 35 years would receive 70% of their salary as a pension.

pension. On the employer side, taxpayers are on the hook for about twice that. Thankfully, the 2012 pension reforms bring this figure closer to 50/50, which is the norm in the private sector.

But since the benefits are defined in advance, no matter how well or poorly the fund performs in the market, employees are still entitled to their rich pensions.

Consider the following scenario: A federal employee starts work at age 25. She retires at age 60. Her average best five years of salary is \$90,000. Upon retirement, she would be entitled to a guaranteed annual pension of \$63,000 for life, which would rise each year with

the cost of living. Reaching the average Canadian life expectancy of 81, she stands to collect a pension of \$1.6 million.

So while the original question dealt with the issue of a surplus, there is a flipside. While it was necessary for the Supreme Court to settle a dispute over what to do with a pension surplus, the law is very clear in the case of a pension shortfall: if the pension fund account runs too low on cash and can't meet its obligations, union members will still collect their benefits while taxpayers are on the hook for a bailout.

So the answer to your question is both yes and no. No, because there was no pension fund to begin with. The courts ruled that the government's only responsibility is to make payments to its retired former employees. But the government faces an unsustainable and growing \$267 million unfunded pension liability.

So yes you will have to pay the money back – eventually. Because of the massive unfunded liability, the amount of money being paid to government retirees will get so high the pension fund will dry up. That's when taxpayers will be forced to pick up the tab with a massive bailout of the pension plan. **t**

Federal Pension Plans Balance (Billions of CDN\$)

	Government Estimate	CD Howe Estimate
Assets	\$62.5	\$64.5
Liabilities	\$230.8	\$331.1
Unamortized Estimation Adjustments	\$-19.4	
Unfunded Liability	\$148.9	\$266.6

Source: CD Howe Institute

A New Way

Anyone involved in politics can probably name a few good people who chose not to run because they didn't want to take a big pay cut.

Similarly, those same insiders could probably name a few elected politicians who kept running well beyond their

prime because they couldn't afford to lose the best-paying job they would ever have.

CTF staff have been debating a new model of paying politicians based on what they earned before seeking office.

FOR

by Colin Craig, Prairie Director

After the 2011 federal election, a new NDP MP from a French-speaking riding in Quebec made national headlines.

Ruth Ellen Brosseau, a bartender working in Ontario, had suddenly won a seat in Parliament and would now be making a whopping \$157,731 per year plus all the other perks.

The news was a complete shocker. She couldn't speak French fluently and hadn't even set foot in the riding during the election, though she did find time to go to Las Vegas.

Sure, it was an extreme example of someone essentially winning the lottery by getting elected, but many other politicians also

see big pay jumps once elected. They then keep running again and again – long after they're tired of the work – simply because it's the best job they'll ever have.

Conversely, there is probably someone in Canada making \$400,000 per year who has decided not to run because he or she doesn't want to take a \$240,000 pay cut.

How do we ensure people aren't running simply for the money... or not running because they don't want the pay cut?

If we took people's incomes from their T4 slips the three years prior to entering politics, averaged it out and then based their pay on that figure, it would mean the guy or gal making \$400,000 per year might make the jump to politics as they'd continue to earn the same. However, if you were making \$50,000 per year before getting elected, you might not linger around in politics your entire life simply for the money.

The T4 pay model would have to address some obvious holes.

First, you would need a ceiling – in the case of an MP you might

cap it at, say, \$500,000. This would protect taxpayers if NHL star Sidney Crosby decided to seek office.

Second, a floor would also make sense to recognize those just entering the workforce. Federally, the floor could be \$60,000.

Third, the system might also make certain exceptions for those who had been on maternity / paternity leave or other extenuating circumstances.

Finally, whatever amount is determined, it should rise with the inflation rate each year.

Sure, this model might not be perfect, but the current one is far from perfect too. The new model would remove the excuse too many good people use to not seek office. **t**



This system stops people from running just for the money or not running because they would take a pay cut.



to Pay Politicians?

The idea would be to pay them based on the amount their T4s show that they earned the previous few years. Thus nobody would take a pay cut and nobody would hit the jackpot if elected. It would also mean paying two people doing the same job two different amounts.

by Derek Fildebrandt,
Alberta Director

Paying politicians based on how much they made prior to entering politics would result in some legislators being overpaid and others being underpaid.

Had Donald Trump run for and won the U.S. Presidency, would we really feel the need to pay him more than accomplished presidents like Bill Clinton or Ronald Reagan, simply because he made more before running?

On the flip side, should Stephen Harper be paid less than Paul Martin because he didn't own an international shipping company? Similarly, should the Prime Minister be paid, say, \$70,000 a year

because he worked at a non-profit organization before running for office, while an opposition back-bench MLA from PEI gets paid \$500,000 because she was a high-powered lawyer?

This is all to say that earning more money before entering politics is not necessarily a good indication of how much one is worth in office.

Paying politicians based on a basic pay grid determined by the level of office they hold is far from perfect, but is better than the alternatives which are far too open to abuse or manipulation.

What is most important is that the pay grid be open, transparent and reasonable. In Alberta, for example, it took an algebra expert to figure out how much politicians were paid until recent reforms simplified things. Now, taxpayers can figure out how much their politicians make with a simple Google search. The same goes for federal MPs.

Rather than have CTF staff arm-wrestle each other for our own private entertainment, we figured we'd make them debate each other in *The Taxpayer*. Prairie Director Colin Craig is taking the FOR position and Alberta Director Derek Fildebrandt is arguing AGAINST.

AGAINST

Determining how much they should actually make is something best left to a randomly selected 'citizens assembly.'

This is not to say that incentives cannot be built into the pay model for politicians. For example, B.C. has legislation requiring ministers take a pay cut if they run a deficit, and Ontario used to have the same rule.

Many things in politics are like sausages; seeing them being made can make you lose your appetite.

After losing the prime ministership in 1945, Sir Winston Churchill said, "Democracy is the worst form of government, except for all those other forms that have been tried."

The same could be said of the way we pay those who run our democracy. **t**

Who won the debate?

Send us a letter to the editor with your ideas on how best to pay our politicians (letters@taxpayer.com)

The system would see Prime Minister Harper making less money than Paul Martin, simply because Martin owned a shipping company.



Contraband Tobacco:

The multi-billion-dollar boondoggle



by Candice
Malcolm
Ontario Director

One of the few things Pierre Trudeau was absolutely right about was his stance on personal autonomy, best characterized when he famously said, "there is no place for the state in the bedrooms of the nation."

We don't want the government to tell us what we can and cannot do in our homes, but for some reason we allow Nanny State policies to tell us what we can and cannot put into our bodies.

Sin taxes bring in billions of dollars in revenue per year for governments, and the public has bought into the idea that these taxes lower consumption, and counter some of the health care costs associated with consumption.

Regardless of the validity of these claims, sin taxes are here to stay. But governments do face the risk of raising taxes too high, and forcing people to look for products in underground and illegal markets. We've reached that tipping point in Quebec and Ontario where a carton of legal and taxed cigarettes can cost up to ten times as much as the same illegal and untaxed product. It's no wonder that an estimated one in every four cigarettes sold in Canada is contraband.

The emergence of black markets distributing contraband tobacco is bad news for the government. The Canadian Taxpayers Federation's Derek Fildebrandt calculated that the province of Ontario and the federal government combined lose between \$742 million and \$1.2 billion per year to revenues lost from untaxed tobacco. That is money



Smoke Shack

not going to fund our health care system and not going to pay down our public debt. In his December 2012 study entitled "How Much is Contraband Tobacco Costing Taxpayers in Ontario?" Fildebrandt calculated that this black market has led to \$3.7 billion to \$6 billion in lost revenues over the last five years.

Fortunately for lawmakers and law-enforcers, this problem has a few easy solutions: reduce sin taxes so people won't resort to black markets, get rid of the tobacco tax loopholes, crack down on the contraband market or get aboriginal reserves to collect their own tobacco taxes.

Fildebrandt's report uncovers the government policies and regulations that allowed the development of the contraband market. The primary source of his study was a document titled "Exempt Tobacco Sales on First Nations reserves in Ontario", exclusively obtained by the CTF through the Freedom of Information Act from the Ontario Ministry of Finance.

All tobacco sold in Canada is supposed to come from registered tobacco dealers such as corner stores and tobacconists. Tobacco sold from these retailers must be marked with a stamp indicating that the wholesaler of the tobacco has paid taxes and duties to

the federal and provincial governments. This is known as "marked tobacco."

However, in some regions – particularly in Ontario and Quebec



marked cigarettes to Status Indians tax-free, while the sale to others is prohibited.

Not only is this race-based allocation of tax-free cigarettes completely unfair, the quota is far too large. Whereas fewer than half of 1% of Ontarians live on native reserves, the government allocation provides reserves with 6% of the province's tobacco, unmarked and tax-free. Last year, Status Indians in Ontario allegedly purchased 29 million tax-free packs of cigarettes, which equates to about three packs per day per person of 15 years of age or older on reserve.

The problem is obvious: much of the cigarettes allocated for use in native reserves is being sold illegally by smoke shacks, the large majority of which are unmonitored by police. Fildebrandt's report confirmed this, finding that between 53% and 79% of all reported tobacco sales on

native reserves last year were done so illegally to people who are not Status Indians. Put another way, just six million of those 29 million packs allocated to reserves are sold legally.

A secondary source of unmarked cigarettes is contraband cigarette factories on both sides of the border; tobacco is smuggled into Canada through unmonitored border crossings on native reserves and sold alongside Canadian cigarettes at smoke shacks. In 2008, the RCMP found that 90% of illegal cigarettes sold in Canada come from the Akwesasne Mohawk reserve located near Cornwall, Ontario.

Law-enforcement officers in Canada need to crack down on these organized crime networks

and stop looking the other way just because the crime originates on or around native reserves. An estimated 95% of illegal cigarettes come from about 50 contraband factories and 300 smoke shacks on aboriginal reserves.

The CTF report provides tangible steps to increase transparency, improve audit activity, and cut the cigarette allocation system for reserves. Eventually we should move to eliminate the two-tiered system altogether, and put an end to a system that forces two-thirds of Ontarians to pay \$5.24 in taxes for every package of cigarettes they purchase, while the remaining one-third pay just the federal tax!

Nanny State sin taxes are barely palatable in the first place, but what makes them unacceptable are the loopholes – many of them legally created and permitted by the government – that allow different laws for different people. If

tobacco is to be taxed because it is bad for people, then it should be taxed equally to aborigines and non-aboriginals alike. Contraband tobacco equates to tax evasion and it is unfair to law-abiding taxpayers. The government needs to stop blowing smoke, and fix the problem. **t**

– it's not uncommon for people to purchase 'unmarked tobacco' from an aboriginal reserve smoke shack or other black market outlets, such as someone selling bags of unmarked cigarettes from the trunk of a car. These cigarettes are significantly cheaper since they have not been subject to provincial and federal taxes.

Some of this unmarked tobacco comes from a government program that provides tax-exempt cigarettes to Status Indians on reserves. Reserves are allotted a portion of unmarked cigarettes for personal consumption that are not subject to standard taxation. Smoke shacks then sell these un-

(Editor's note: In March the federal government tabled a bill in the Senate that would impose penalties on persons engaging in the contraband tobacco trade. While it's encouraging to see some movement on the issue, the legislation fails to specifically address the core issue of aboriginal smoke shacks. It will be interesting, should the bill pass into law, to see whether law enforcement agencies will be prepared to confront the real problem.)



The 2013 Teddies

Honouring the Best of the

WORST

of government waste



by Nick
Bergamini
Federal director

The Canadian Taxpayers Federation's 15th annual Teddy Waste Awards took place on Parliament Hill in March, as we paid tribute to some of the most outrageous – and funny – cases of government waste and mismanagement for the past year.

Federal Director Gregory Thomas played event host alongside the beautiful and talented Catherine Briere and the CTF mascot, Porky the Waste-Hating Pig.

The Teddies are named after the disgraced former government official Ted Weatherhill, who was fired for repeatedly abusing his expense accounting including a \$700 lunch for two.

While hearing about the latest bungled government program or corrupt public official might



The Teddies are a popular media event

make you want to cry, The Teddies are a humorous respite for taxpayers. And like every year, there were hundreds of cases of waste that each deserved their own Teddy. The selection committee worked day and night wading through dozens of nominees sent in by loyal CTF sup-

porters. But eventually we whittled it down to a handful of nominees and one winner in each of the following categories: Federal, Provincial and Local.

Saving the best for last, we also gave out the annual Lifetime Achievement.

FEDERAL

Chief Redman Hood (Winner)

**Standing Buffalo First Nation
Chief Roger Redman**

**Nominated for: Worst
performance by a reserve
politician**

Production cost: \$317,583

In a modern twist on the classic tale of Robin Hood, Chief Rog-

er Redman of the Standing Buffalo First Nation has refused to give up his office and his \$194,737 tax-free salary as angry band members attempt to impeach him. The small community is located near Fort Qu'Appelle, SK.

While Robin Hood remains famous for his heroic efforts to steal from abusive tax collectors on behalf of local citizens, Chief Redman collects from taxpayers and keeps

the money for himself.

If you plug Redman's salary into the Ernst & Young personal tax calculator, you'll find that he makes the equivalent of \$317,583 for someone living off-reserve and paying taxes. By comparison, Premier Brad Wall was paid \$158,566 and Prime Minister Stephen Harper earned \$315,462 in 2012. The band's full-time councillors also all make more than Premier Wall.

The 2013 Teddies

Protecting Taxpayers – from Exploding Sausages (nominee)

Agriculture and Agri-Food Canada

Nominated For: Worst performance by a Nanny-Statist government department

Production Cost: \$826,000

Canadians have become used to governments trying to protect us from ourselves. Whether it be sending bureaucrats to patrol neighbourhood garage sales, regulating trans fats or criminalizing the breeding of pit bulls, governments never hesitate given the chance to police our behaviour. Heck, Dalton "Premier Dad" McGuinty even made a career out of it.

But Agriculture and Agri-Food Canada reached a whole new level of Nanny State nonsense when they commissioned Brampton, Ont. based Cardinal Meat Specialists to develop an explosion-proof sausage. Apparently, exploding sausages have reached such epidemic proportions that the government was forced to step in and protect backyard barbecuers from bratwurst.

Tax Dollars Up in Smoke (nominee)

Western Economic Diversification Canada

Nominated For: Worst performance by a corporate welfare provider

Production Cost: \$5 million

In a move that would make Cheech and Chong proud, the Canadian government "invested" \$5 million in a hemp processing company, Farm Genesis Group Marketing, in Waskada, MB. But less than a year after doling out the



Let's compare salaries

money under the guise of Canada's Economic Action Plan, the 25,000-square-foot processing plant is empty and hasn't been used once.

Hemp, which is another name for a variety of cannabis plants, can be processed into food, fuel and clothing. Typically, provincial governments kick in a significant sum for these projects. But the Manitoba government decided to opt out of the hemp business, sinking only \$75,000 into Genesis.

Canada's Most Exclusive Club (nominee)

The Senate

Nominated For: Worst performance by an out-of-date institution

Production Cost: \$106 million (annually)

How could any waste awards be complete without mentioning the Canadian Senate? The gift that keeps on giving for political reporters, Canada's unelected upper house dominated headlines this

Despite Standing Buffalo Reserve only having 443 members, Chief Redman took home more pay than the Prime Minister of Canada.

year over Senator Patrick Brazeau's legal problems and some questionable housing and expense claims from Mike Duffy, Mac Harb and Pamela Wallin.

The Senate – which cost taxpayers \$106 million in 2012 – is full of dozens of distinguished Canadians from a variety of fields. But the institution, which still refuses to publish Senators' expenses, is in dire need of reform or abolition.



The 2013 Teddies

PROVINCIAL

And the Gold Medal for Waste Goes to... (Winner)

Alberta MLA Christine Cusanelli

Nominated for: Worst performance by a high-flying politician

Production cost: \$10,600

Alberta MLA and former Tourism Minister Christine Cusanelli garnered the provincial Teddy for her taxpayer-funded junket to the 2012 London Olympics. While an argument could be made for the tourism minister attending such a high-profile event, Cusanelli saw fit to bring her mother and daughter along, all on the taxpayers' dime.

The expense came to light after CTF Alberta Director Derek Fildebrandt released the finding of a Freedom of Information request.

Cusanelli was also left to defend the government after a bungled attempt at belt tightening – reducing the government entourage flying

to London – led to a \$113,000 bill for unused hotel rooms. The rookie minister repaid the expenses for her family members' trip but was still turfed from cabinet in February.

Gold-plated Pensions a Human Right? (nominee)

Former New Brunswick Cabinet Ministers Jeannot Volpe and Roly MacIntyre

Nominated for: Worst performance by a retired politician

Are the gold-plated pensions of provincial politicians a human right? At least two former New Brunswick cabinet ministers certainly think so. Jeannot Volpe, a Progressive Conservative, and Roly MacIntyre, a Liberal, filed a complaint to the New Brunswick Human Rights Commission after their pensions were clawed back retroactively. Volpe, who was elected in 1995 and retired in 2010, says he was expecting a pension of \$54,000

instead of "only" \$36,000 for 15 years in office.

Even Volpe recognizes how ridiculous his own sense of entitlement appears. "I don't think we're going to get any support from people," he told the *New Brunswick Telegraph-Journal*.

The Government that Passed Gas (nominee)

Dalton McGuinty's Government of Ontario

Nominated for: Worst performance by government trying to get re-elected

Production cost: \$230 million (and counting)

In a move that reeks of political expediency, Dalton McGuinty's campaign team – not his cabinet – decided in the final days of the 2011 provincial election to cancel the building of gas-fired generating stations in Mississauga. Then Finance Minister Dwight Duncan admitted that the cancellation was as a move to save Liberal seats. The government also bowed to NIMBYism when it moved another plant out of Oakville in 2010. Some estimates put the cost of the cancellation at over \$1 billion.

This Coffee Brought to you by the Canadian Auto Workers Union (nominee)

The Queen Elizabeth Health Sciences Centre (Nova Scotia), Newfoundland's Health Sciences Centre and the Windsor Regional Hospital

Nominated for: Worst performance by governments trying to run a business



The envelope, please

The 2013 Teddy Awards

Production cost: \$1.9 million (annually)

Tim Hortons is the quintessential Canadian brand. And for good reason; go to one at almost any hour of the day and there is usually a long lineup of cars snaking through the drive-through parking lot as people wait for their double-doubles.

This is why the case of three hospital-run Tim Hortons bleeding money is so outrageous. The Queen Elizabeth Health Sciences Centre (four Tim's locations at losses of \$1.4 million annually), Newfoundland's Health Sciences Centre (\$260,000 losses annually) and the Windsor Regional Hospital (three locations at losses of \$265,000 annually) have all got into the coffee business with dismal results.

Yahoo News Canadian politics correspondent Andy Radia put it best: "How do you lose money operating a Tim Hortons franchise?" Answer:

Let the government operate it." While most Tim Hortons start employees at minimum wage, the hospitals use highly paid, unionized staff including members of the Canadian Auto Workers to pour coffee at rates of between \$20 and

Only governments could lose money on a Tim Horton's franchise

ment of Manitoba accountant with 20 years experience working on the Crocus Investment Fund. The fund had 34,000 shareholders who invested a total of \$150 million. But Dalgiesh saw the fund

\$28 an hour. With auto manufacturing in the decline in Canada, this could be a profitable sideline for the embattled union.

Bureaucratic Book Club (nominee)

The Government of Manitoba

Nominated for: Worst performance by a government misusing a skilled employee

Production cost: \$360,000

Jack Dalgiesh was a govern-

as a house of cards bound to fail. In 2000, he advised then Finance Minister, now Premier Greg Selinger about his concerns but nothing was done for four years. Finally in 2004, Crocus stopped trading and in 2005, it was revealed that its value had dropped by two-thirds.

Dalgiesh says he was shunted into purgatory after the Auditor General, in a scathing report on the handling of the Crocus fund, uncovered Dalgiesh's memo which proved that government officials had been warned. He was given a do-nothing job and was asked to quit by his superiors. For four years until he retired in 2009, he started his own bureaucratic book club, while making \$90,000 per year. He kept a detailed list of books

that he read while on the clock – 156 in total – which he then released to the CTF's Prairies Director, Colin Craig. Among them are such literary classics as *The Great Gatsby* and *To Kill a Mockingbird*.

MUNICIPAL

The \$143 Pencil Sharpener Installation (winner)

The Maintenance and Skilled Trades Council

Nominated for: Worst performance by a union monopoly

Production cost: \$158 million

As part of a long-standing contract with the Maintenance and

HOWE ROOM: Teddy Awards: The objective is not to win

March 9, 2013 - 10:24pm BY DAVID JACKSON PROVINCIAL REPORTER | THE HOWE ROOM

There was good news and a bit of bad for Bluenose taxpayers in the Canadian Taxpayers Federation's 15th annual Teddy Awards last week.

The good? Nova Scotia politicians were shut out of the prizes, which highlight wasteful government spending.

The not so good? The Queen Elizabeth II Health Sciences Centre was lumped in with hospitals in Newfoundland and Windsor, Ont., as joint nominees in the provincial category for running money-losing Tim Hortons outlets.



ers were billed for 76, as revealed in an investigation by the *Toronto Star*.

"We don't need to f----- prove anything to anybody about costs," union boss Jimmy Hazel told the Star.

Mr. GST (nominee)

Gilles Suprenant and the City of Montreal

Nominated for: Worst



The 2013 Teddies



CTF Federal Director Gregory Thomas served as Master of Ceremonies

performance by a corrupt city official

Production cost: \$706,000

The Charbonneau Commission was launched to shed light on the seedy world of Montreal public construction contracts. Stories of corrupt politicians, bribery and Mafia intimidation became a daily affair at the commission, which captivated disgusted Quebecers.

One of the most outrageous stories was that of retired city engineer Gilles Suprenant, who admitted to taking up to \$706,000 in bribes. Suprenant, who was in charge of estimating the cost of government contracts, would inflate the price and pocket a one per cent commission, earning him the nickname "Mr. GST." The commission has heard that the Mafia would collect 2.5% of the contract while the ruling Union Montreal Party pocketed 3%.

Hamilton's Do-Nothing Road Crews (nominee)

Fired Hamilton Public Works Employees

Nominated for: Worst performance by a city road crew

Most Canadians have seen it. Driving past a municipal road crew working on a pothole, one or two employees may be working while the rest look on "supervising." Some even nap on the job. But the City of Hamilton decided to do something about it. Fed up with reports of missing asphalt and lazy workers, the city hired a team of private investigators to monitor 16 road crews in the city's Public Works Department.

Unfortunately, the results of the investigation were not surprising. Investigators found that workers would run personal errands, nap, go to coffee shops and bars, or just relax at home. Some crews would even spend the entire day doing literally minutes of work. Twenty-nine workers were eventually fired with another two suspended for a month without pay.

"We don't need to f--- prove anything to anybody about costs," union boss Jimmy Hazel told the Star.

Bomb on a Plane (nominee)

The South Coast British Columbia Transportation Authority (TransLink) Police Service

Nominated for: Worst performance by a police force

TransLink police officers – who have full police powers – are responsible for policing the regional transportation network of Metro Vancouver. During a training exercise for bomb sniffing dogs on a commercial airplane, an

officer forgot a defused explosive device on the plane.

No one was alerted until two days later when the Air Canada plane had already landed in Toronto. It was thoroughly searched 14 times but the explosive was nowhere to be found. Transit Police interviewed dozens of airport staff, and dragged in Transport Canada, the Vancouver Airport Authority, two RCMP detachments and the Coast Guard as they searched for the explosive.

At one point, transit cops – who on average make \$98,000 a year – were staking out a garbage dumpster.

The explosive was never found.

The story was broken by the CTF's B.C. Director, Jordan Bateman, after documents he obtained through a Freedom of Information request revealed the bomb mishap.



The 2013 Teddies



LIFETIME ACHIEVEMENT

Smoking at the Savoy (winner)

Former federal cabinet minister Bev Oda

Bev Oda, the former Conservative MP for Durham and minister for international development, is the poster child for entitled politicians. She wasted little time in cashing in on her ministerial perks, getting caught for billing taxpayers \$5,500 for limo rides at the Juno awards in Halifax, just three months after she was sworn into cabinet. She paid back \$2,200. In 2008, the NDP accused Oda of spending \$17,000 on limos in her first 15 months as a minister.

But her biggest claim to fame is her infamous trip to a London conference on immunization for children in the developing world. Oda refused to stay at the Grange St. Paul's Hotel where the conference was located and opted for \$665 a night room at the five-star Savoy, a luxury hotel favoured by royalty in downtown London. While staying at the Savoy, Oda enjoyed a glass of \$16 dollar orange juice and was shuttled around town with a chauffeur and

limousine to the tune of \$3,000.

Oda also charged taxpayers for a \$250 fine she incurred for smoking in her hotel room at a maternal health conference in Washington, D.C. She also used government funds to purchase an air filtration unit to mask the smell of cigarette smoke in her office.

She resigned from cabinet and as the MP for Durham in 2012. But Oda gets the last laugh. In a final salute to taxpayers, she will still collect an annual pension of \$52,183.

Oda charged
taxpayers
\$250 for a fine
she received
for smoking
in a non-
smoking hotel
room.

The CTF also gave an award to the now-infamous Alberta legislative committee, whose members were paid \$1,000 a month for never meeting. Days later, Premier Alison Redford suspended pay for the committee as members quickly paid back what they had "earned." Later that year, the government also began publishing all of their MLA and cabinet expenses online.

So as the curtains close on the 2013 Teddies, be sure to keep an eye out for badly behaved bureaucrats and politicians as we invite submissions for next year's awards!



CONCLUSION

While CTF supporters and reporters on Parliament Hill love the Teddies for their funny take on government waste, the awards have also proven that humour is an effec-

tive political tool.

Last year, the CTF gave the Lifetime Achievement Teddy to former Bloc Leader Gilles Duceppe for his hefty parliamentary pension. This

was part of a widespread campaign by the CTF for parliamentary pension reform. Later that year, the government undertook a sweeping reform of MP pensions! **t**

Queen's Diamond Jubilee Medals

In 2012, the Canadian Taxpayers Federation was approached by the Governor General's office to be a partner organization in helping nominate a handful of Canadians who have made an outstanding contribution to the country and bestowing upon them the Queen's Diamond Jubilee Medal.

The CTF is normally hesitant to participate in *any* government initiative. However, the CTF saw this as an opportunity to recognize people who don't normally get recognized and particularly those who some-



by Troy Lanigan
President & CEO



by Scott Hennig
V.P. Communications

times ruffle the government's feathers.

As an organization working in the public policy and advocacy field for the past 23 years, the CTF has worked with many Canadians who have distinguished themselves in their field or by virtue of their character. As such, the CTF was pleased to have the opportunity to nominate and present Queen's Diamond Jubilee Medals to the following Canadians over the past year.

Michelle Simson

Regular readers of *The Taxpayer* might recognize this recipient, as she penned a two-part series for the magazine in 2011 on the inner workings of the Board of Internal Economy – the ultra-secret, all-party committee of MPs that decides pay, perks and spending of Canada's 308 Members of Parliament.

On July 7, 2009, the former Liberal MP made history by becoming the first federal politician in Canada to voluntarily disclose her office expenses by posting them on her website.

After serving for over two-and-a-half years as an MP, Simson was defeated in the 2011 election. She continues to work for greater accountability and transparency from our federal politicians.

Rick Bell

Rick has been covering the goings-on of the Alberta Leg-

islature for the *Calgary Sun* for 22 years.

Whether it's lambasting over-budget designer footbridges, mocking politicians who have



Above: CTF President, Troy Lanigan (L) presents the Queen's Diamond Jubilee Medal to former MP Michelle Simson on February 18, 2013.

a penchant for fancy flights or sticking up for the over-taxed Albertan, Rick's page five column has saved the taxpayer more than a few bucks by making the politicians and bureaucrats fear his wrath.

Phyllis Sutherland

Phyllis, a band member from the Peguis reserve in Manitoba, lit the spark that resulted in Bill C-27,

Queen's Diamond Jubilee Medal recipient and Sponsorship scandal whistleblower Allan Cuttler (R) with his wife Linda in Ottawa on March 7, 2013.

Diamond Jubilee Medals



CTF Vice President, Communications, Scott Hennig (R) hands a Queen's Diamond Jubilee Medal certificate to *Calgary Sun* columnist Rick Bell in Calgary on August 20, 2012.

the *First Nations Financial Transparency Act*.

Phyllis sent the CTF's Manitoba office information on how much money her chief and band council were making. Every council member was either making more than the Prime Minister or close to it.

The story received national attention. Soon after, people from other reserves across Canada were sending the CTF their band councils' pay information. And it snowballed from there.

Phyllis even travelled to Ottawa a few times to both meet with the Minister of Aboriginal Affairs and to testify before both the House and the Senate in favour

of passing C-27.

Darrell Evans

In 1990, Darrell initiated a movement to get a freedom of information and protection of privacy act passed in British Columbia. By 1992, B.C. had passed arguably the best freedom of information law in Canada.

As the B.C. Freedom of Information and Protection of Privacy Association's first Executive Director, Darrell exported his model of success to Alberta and by 1994 that province also adopted a freedom of information and protection of privacy law.

He's since played champion and defender as parties of all stripes

Mr. Weston exposed multiple examples of waste from the Chrétien government's botched helicopter deals to the Harper government's runaway spending on the G-8 and G-20 summit – including the infamous "fake lake."

have sought to weaken the law.

Gordon Gibson

Gordon is a political columnist, author, and former Liberal Party leader in British Columbia. When he served on the opposition benches of the Legislature from 1974-79, he put forward private member's bills both on citizens' initiatives and on a freedom of information law. He was nearly 20 years ahead of his time!

In 1994, Gordon joined the Fraser Institute where he specialized in federalism and governance issues, authoring three books.

He has also conducted extensive research into aboriginal issues. He's published papers on the treaty process, and his most recent book is *A New Look at Canadian Indian Policy: Respect the Collective – Promote the Individual*.

Lorne Gunter

Lorne is a columnist with the *Sun Media* chain and previously a columnist and editorial board member with the *National Post* and *Edmonton Journal*.

Lorne has penned more than 4,000 columns – many dedicated to pointing out the folly of big government and Nanny State policies. But perhaps he is best known for his many columns scrutinizing global warming hysteria and the many expensive "solutions" proposed to address it.

Lorne is a recipient of the CTF's TaxFighter Award.

Cliff Oldridge

Shortly after the CTF opened its doors in Ottawa in 1997, long-time Industry Canada employee Cliff Oldridge stopped in to share his concern that his department was overselling the benefits from many of its corporate welfare programs. And thus began a 16-year relationship.

Cliff first helped CTF staff word

Other recipients include:

Charles Adler – Winnipeg, MB – The “boss of talk,” Charles is a popular host of a national talk radio show on the *Corus Network* and more recently, a national television talk show on *Sun News Network*.

Dr. Tim Ball – Victoria, BC – A leading voice in the debate over man-made global warming. Former professor at University of Winnipeg.

Rob Breakenridge – Airdrie, AB – An unbending voice for free speech, Rob is a veteran radio talk show host in Alberta on the *Corus Network*.

Tom Broadbeck – Winnipeg, MB – A well-respected, small-government advocate and columnist for the *Winnipeg Sun*. Tom is a recipient of the CTF’s TaxFighter Award.

Andy Crooks – Calgary, AB – A former CTF board director, recipient of the TaxFighter Award, patron of the arts, and a volunteer in his community for alcohol recovery, post-secondary education and parks.

Jim Harrison – Kamloops, BC – Known as one of the hardest-working journalists in B.C., Jim is the news director and host of a daily talk show on *Radio NL 610* in Kamloops.

Dr. David King – Halifax, NS - A neurologist in Halifax since 1977, Dr. King collaborates in the Parkinson’s Disease Fetal Transplant Program and serves on the faculty at the Dalhousie medical school.

Linda Leatherdale – Oakville, ON – A writer, financial advisor, former *Sun Media* columnist, former CTF board member and recipient of the CTF’s TaxFighter Award.

Nick Loenen – Vancouver, BC – A former Richmond city councillor, B.C. MLA, CTF board director, author and one of Canada’s leading proponents of voting reform.

D. Blair Nixon – Calgary, AB – An aboriginal rights supporter, democracy advocate, past president of the Institute of Chartered Accountants of Alberta and contributor to tax policy at the University of Calgary, C.D. Howe Institute and Joint Committee on Taxation.

Gary McHale – Binbrook, ON – A political activist fighting against race-based policing in Ontario. Best known for his involvement in the Caledonia land dispute, McHale created Canadian Advocates for Charter Equality.

Barbara Yaffee – Vancouver, BC – A long-time champion of taxpayers, Barbara has reported the news all across Canada and has been the political columnist for the *Vancouver Sun* since 1987.

Access to Information (ATI) requests so as to remove any wiggle room bureaucrats might have to ignore the requests. The CTF was able to obtain information from Industry Canada showing many companies were paying back little to none of the government money they had been loaned.

Once Cliff retired from government he began filing his own ATI requests and sharing his findings, not only with the CTF, but with many think tanks and media outlets.

Greg Weston

Greg Weston’s career in journalism spans four decades. From an editorial writer at the *Kingston Whig-Standard* to a reporter at the *Toronto Star* to investigative journalist, columnist and commentator at the *Ottawa Citizen*, *Sun Media* and now *CBC*.

Mr. Weston’s investigations have exposed waste and mismanagement in high places, from the Mulroney government’s attempt to sell off



Diamond Jubilee Medals

Pearson Airport, to the Chrétien government's botched helicopter deals, to the Harper government's runaway spending on the G8 and G20 summit – including the infamous "fake lake."

He's also authored two books, *Reign of Error: John Turner's Troubled Leadership* and *The Stopwatch Gang* which covered the famous group of Canadian bank robbers.

Solange Garson

Solange first introduced herself to the CTF a few years ago when she came into the Manitoba office with disturbing claims about how consultants and band officials had been spending public dollars designated from Manitoba Hydro on her reserve – Tataskweyak Cree Nation.

It was one of many reserves in negotiation with Manitoba Hydro for compensation for potential flooded reserve land once new dams are built. While Hydro has refused to release any details of the nearly quarter-billion dollars of public money being spent, Solange gave the CTF some insight.

Solange claims that some of the public money was spent buying video game systems, freezers, big screen TVs and other expensive items as 'door prizes' to get band members to attend public meetings. Solange also claims there have been payoffs to band politicians involved in these projects.

Despite the considerable risks that come along with being an on-reserve whistle-blower, Solange was recently elected to the



CTF President Troy Lanigan (R) and Prairie Director Colin Craig (L) with Jubilee Medal Recipient Solange Garson on September 13, 2012.

Tataskweyak Cree Nation band council.

Allan Cutler

In 1995, Mr. Cutler, a 30-year employee of the federal Public Works department, began raising questions about how Sponsorship Program money was being spent. His questions were met first by silence, then anger, from his superiors, who threatened demotion or firing if he didn't keep his mouth shut.

Eventually, as tales of corruption reached the public sphere, then-Prime Minister Paul Martin called the Gomery Commission. The Commission found untendered contracts valued in the millions

were being awarded to advertising firms with close Liberal connections, often for no work at all. Shunned from government, Mr. Cut-

ler was vindicated by Gomery. His story captivated Canadians and he became an unlikely national hero as the whistle blower who held the government to account.

Darce Fardy

Darce Fardy is a former Review Officer of the Nova Scotia Freedom of Information and Protection of Privacy Act. Before taking over that position he was a long-time journalist.

Originally from St. John's, Darce first joined the CBC as a reporter. After becoming Director of Television for Newfoundland he moved to become the Director of Television for the CBC in Halifax. He has also worked for the CBC in Edmonton and in the United Nations newsroom in New York during the General Assembly session of 1960.

A long-time advocate and champion of access to information laws, Mr. Fardy founded the Right to Know Coalition of Nova Scotia after his retirement in 2006. 



Jubilee recipients

First column: Lorne Gunter, Andy Crooks,

Second column: Gordon Gibson, Cliff and Donna Oldridge, Blair Nixon

Third Column: Tom Broadbeck

Fourth Column: Darrell Evans

British Columbia

Taxpayers **PUNISHED** for BC Liberals' Free-Spending Ways



by Jordan
Bateman
B.C. Director

When the 2013-14 B.C. budget lockup door closed and dozens of industry groups, union heads, lobbyists and the Canadian Taxpayers Federation were finally allowed to see the numbers, an audible gasp was heard from a representative from one of the business groups.

"It's an \$#*%&\$ NDP budget," he said aloud.

"I knew I'd see an Adrian Dix budget sometime this year, but I never thought the BC Liberals would deliver it," groaned another.

In a separate room a few hundred feet away, news reporters came to the same conclusion. The first media question asked of B.C. Finance Minister Mike de Jong: "Isn't this an NDP-style budget?"

You can't blame the *politerati* for their confusion. The BC Liberals' budget, widely expected to be their election platform, featured a nasty turn toward higher taxes.

For the sixth time in five years, the Liberals raised the Medical

Services Premium (MSP) health care tax. The MSP tax has jumped from \$108 per month in December 2009 to \$138.50 in January 2014; a \$366 annual increase, or 28% over five years.

This tax hike will cost British Columbians an extra \$95 million per year in taxes – less than half of what the cabinet has squirrelled away in a contingency fund for "priority initiatives."

The government ripped a page directly out of the NDP playbook and added another tax bracket for people making \$150,000 or more, raising their provincial income taxes by more than two percentage points to 16.8%. Examples from around the world – Great Britain,

The BC Liberals' new platform features a **PUNISHING** turn towards higher taxes.

France and California – show that such measures don't generate more revenue and instead drive important job creators to lower-tax jurisdictions. The Alberta Advantage never looked so attractive.

The Liberals, once passionate about wooing investment and job creators to B.C., also raised the corporate income tax from 10% to 11% – a harsh blow as many B.C. businesses are already struggling with the return of the Provincial Sales Tax.

The worst part of this Liberal about-face on taxes is that it gives the NDP the excuse to raise taxes if and when they take over B.C.'s books. But the problem in B.C. isn't revenue – it's spending, specifically during the Liberals' second term.

In their first term, the Liberals kept spending increases to about 3% a year. But in term two, they got sloppy, doubling those annual spending increases to almost 6%. As the good times rolled, they shoveled taxpayer money into the Olympics, lucrative union contracts and program growth.

This left the Liberals completely unprepared for the 2008 economic collapse. Instead of saving for a rainy day, they spent our money. While spending returned to first-term growth levels, that second term damaged the government's ability to manage during this downturn.

The BC Liberals made their bed with that second-term spending. Now they're being forced to lie in it. Hopefully future governments will be more disciplined. **t**



British Columbia

top

For more than a year, the Canadian Taxpayers Federation has been pushing money-bleeding TransLink to scrap its \$28 million-a-year Transit Police. Finally, the regional mayors have listened and ordered a review of the force. Here are ten reasons why the Transit Police should go:

1 They're overpaid. The average transit cop made \$98,000 a year in salary in 2011. Nearly 60 of the 169 officers made more than \$100,000 – not including benefits and pensions.

2 Due to a contract quirk, transit cops are paid for an extra 11.6 shifts a year, without working a minute. The average officer gets \$6,900 extra in overtime, \$2,000 extra in Sunday premiums (transit officers are paid a 25% bonus for working Sundays) and \$5,000 for their unworked shifts. That's \$13,900 each.

3 They are glorified fare-checkers in a system that is about to see fare gates installed. Two-thirds of Transit Police files are writing fare evasion tickets.

4 The average transit cop works on fewer than ten serious and property crime files – including unfounded and unsubstantiated cases – a year. In 2011, 19 transit police pulled their guns in ten incidents. No shots were fired.

5 The Transit Police brag that their communications centre handled 17,851 calls for service in 2011. Do the math: that's two calls per hour.

10

Reasons to SCRAP B.C.'s Transit Police

6 No other Canadian city has a dedicated transit police force. And, according to an Edmonton review, the model "will not likely ever be repeated."

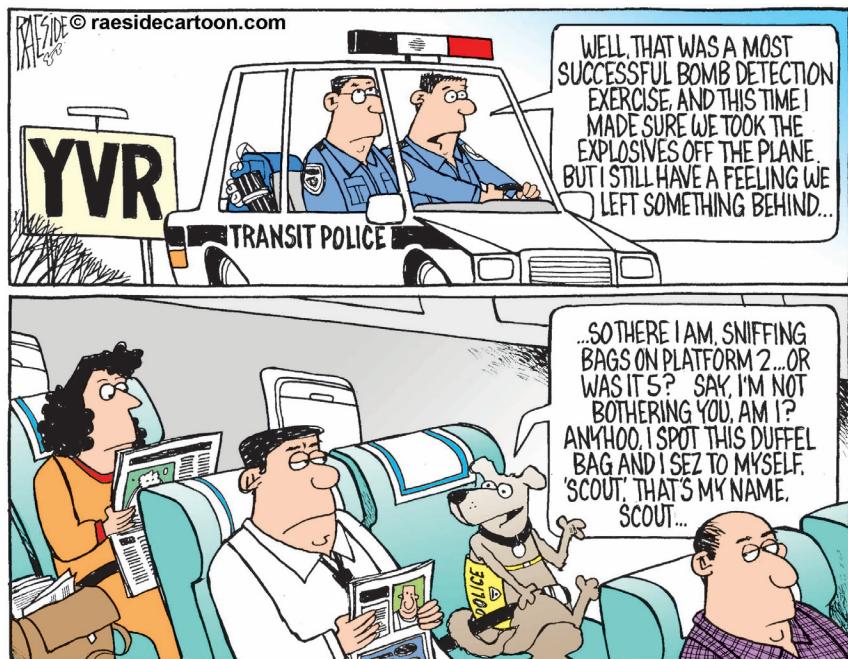
7 Cheaper Transit Security officers could be used to ticket fare evaders.

8 They have a number of bad apples. There was the cop who left an explosive on a commercial jetliner during a dog training exercise. He was later punished for deceit and neglecting his dog. Another officer is on trial for allegedly assaulting an elderly man in a Surrey hospital. A third cop fled the country after being charged with assaulting a police officer following an incident outside a bar. A fourth officer was suspended for two days af-

ter abusing his authority by tasing someone. Two more face assault charges for allegedly assaulting and pepper-spraying a man outside the Granville SkyTrain station.

9 They aren't terribly successful. While violent and property crimes on transit fell 6.8% from 2008 to 2010, Greater Vancouver's overall crime rate dropped 13.9%.

10 The Transit Police budget continues to bloat. Despite TransLink crying poor, the cops will cost \$30.8 million in 2013, up from \$27 million in 2011. That's a 9.9% jump in two years – a trend expected to continue. **t**





CTF Reveals the ‘Real’ Deficit: \$5.1 billion



by Derek
Fildebrandt
Alberta Director

Finance Minister Doug Horner's deficit isn't telling the whole story.

With the release of Budget 2013, the government went from one budget and one deficit number to three budgets and a pile of different numbers representing 'deficits,' 'borrowing' and 'adjustments.'

The next morning the *Globe and Mail* said the deficit was \$1.9 billion. The Wilfondroze projected \$5.5 billion. The *Edmonton Journal* and *Calgary Sun* claimed a \$1.97 billion deficit, \$4.3 billion in borrowing and a \$2.1 billion withdrawal from the Sustainability Fund.

The confusion is understandable with everyone having to do the math backwards and try to rebuild the budget based on earlier years.

The only thing that everybody could agree on was that the government's deficit number was, at best, not the full picture, and at worst, intentionally misleading.

A week after the budget, the CTF released a definitive deficit calculation for the 2012-13 fiscal year: \$5.1 billion.

Let's unmake the budget sausage and explain why \$5.1 billion is the real deficit.

The 'operating deficit' in 2013-

14 is projected at \$451 million. That is a cash shortfall for the day-to-day expenses of the government for things like salaries, running MRI machines and buying paperclips. This is the figure that Minister Horner wants to stick in the minds of Albertans.

But while the government spends \$38.6 billion on operations, there is another \$5.2 billion to be spent on the Capital Plan, which has been rolled into an entirely

it card to be the same as money earned from your job, then you don't agree with Doug Horner.

The funding shortfalls for the Capital and Operational plans taken together produce a 'consolidated deficit' of \$5.1 billion. This is the number that Alberta's government is going to such great lengths to hide from Albertans.

If Albertans and the media buy



separate budget.

The Capital Plan will now be funded almost entirely by debt (88%) in one form or another. Minister Horner claims the Capital Plan is not a part of the deficit, essentially because he is counting 'borrowed money' as if it were 'revenue.' If you don't consider money borrowed on your cred-

While claiming it's balancing its budget, the government plans to borrow \$17 billion by the next election to pay the bills.

the government's budgetary pabulum that excludes the entire Capital Plan from the balance sheet, then the government will have political cover to claim that they have a balanced budget, while in truth they borrow billions (\$17 billion before the next election). **t**

CTF Wins Budget Lockup Duel with

For the first time in more than 20 years, the Alberta government tried to keep the Canadian Taxpayers Federation out of its budget lockup.

The lockup, prior to the actual tabling of the budget, allows

groups from across the political spectrum to study the budget in order to provide insight and reaction to the media on a fair footing with opposition parties and the government.

In what appeared to be a reac-



Horner Repealing Fiscal and Government Accountability Acts

Finance Minister Doug Horner's Bill 12 tabled in March will repeal two key pieces of legislation: the *Fiscal Responsibility Act* and the *Government Accountability Act*.

These acts require that every three months, the Government of Alberta report on the accuracy of its budget. That is, how revenue and spending compare in reality to its plans. It must also provide a balance sheet of assets and liabilities.

For more than two decades, this legal requirement has helped to ensure a measure of accountability in the way governments budget.

In August of 2012, Horner began dropping hugely important sections of the report, such as deficit projections and a balance sheet of assets and liabilities.

The CTF attends every quarterly update and quickly pointed out that the government was in direct contravention of the law on several points.

While the finance minister denied this, he must have realized that the CTF had the law on its side. Rather than continue to break the law, Horner announced on budget day that he would just simply change the law.

CTF Exposes High and Middle Income Earners in Social Housing

Using Freedom of Information (FOI) requests, the CTF revealed that nine people in northern Alberta with incomes between \$47,000 and \$112,000 were living in social housing. The middle-to-high-income tenants have lived in the social housing units for an average of ten years.

The Heart River Housing Agency is headquartered in High Prairie. The CTF's documents show that the Agency currently has one tenant with an annual income of over \$112,000, one tenant with an income over \$82,500, and seven tenants with incomes between \$46,800 and \$56,000.

The documents suggest that a system intended to help the poor is being gamed.

While Heart River Housing claims that the tenant earning \$112,000 is merely filling a temporary vacancy, the documents indicate that tenant has lived there for 12 years. That's some "temporary vacancy."

The CTF has filed FOI requests for similar information in Edmonton, Calgary, Red Deer, Lethbridge and Medicine Hat and is in discussions with the minister responsible, Doug Griffiths, to consider solutions to the problem. **t**

Why are nine people with incomes ranging between \$47,000 and \$112,000 living in government subsidized social housing units?



Government

tion to the CTF's pointed criticisms of the government's plan to return to debt, Finance Minister Doug Horner ordered that the CTF be kept out this year. The result was a firestorm of criticism from ordinary Albertans for what looked like a

petty attempt to silence critics.

The CTF responded, "If we have to climb in a window, tunnel through the basement, or get smuggled in with an opposition MLA, we promise our supporters that we will be there."

CTF supporters sent hundreds of protest emails and Wildrose Party Leader Danielle Smith invited us to march into the lockup with her MLAs. Eventually, Premier Alison Redford personally called the CTF and reversed Horner's decision.



Status of Saskatoon STARBUCKS?



by Colin Craig
Prairie Director

Nine years ago the Saskatoon Health Region bought a Starbucks franchise and opened it up at Royal University Hospital. They staffed the outlet with unionized employees and claimed the venture would generate revenue for the health region.

Knowing that even the best private-sector businesses can fail under government management – hospitals in Newfoundland, Nova Scotia and Ontario recently lost over \$200,000 each running Tim Hortons franchises – the Canadian Taxpayers Federation decided to investigate the Saskatoon Starbucks.

Incredibly, the Health Region refused to disclose any information about how its facility has been doing. Confused by the response, the CTF assured the region they weren't after sensitive information like how much it was

paying Starbucks for coffee cups or any secret recipes. The CTF again confirmed they just wanted to know how much the Starbucks was losing or earning for the Health Region.

As the Health Region still refused, the CTF filed a complaint with the provincial information commissioner and notified the media of their concerns. But of course there was a twist – one media rep contacted the CTF and described

When the CTF asked the Saskatoon health region how much it was losing on its Starbucks franchise, it refused to release the information.

how the Health Region provided their financial results for only two years – last year and six years previously.

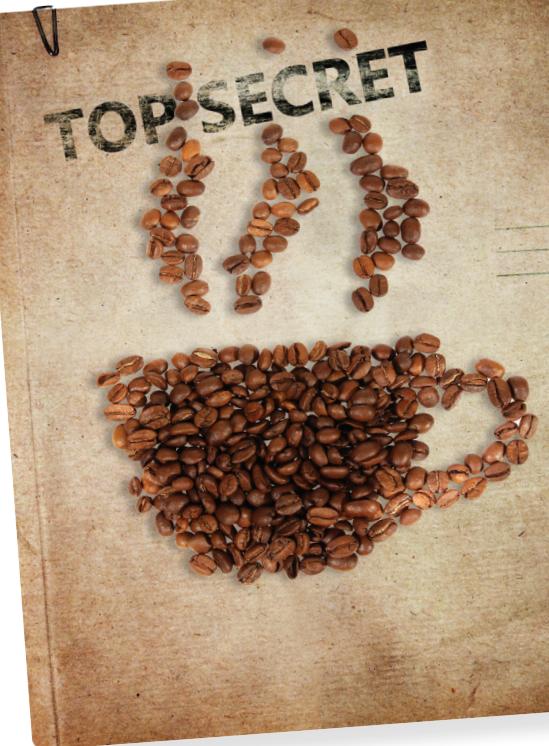
But what about the years in be-

Wilton Watch

With thousands of municipalities across Canada, the CTF's limited staff can't watchdog each one. However, every once in a while a story comes along that just can't be ignored.

A longtime supporter of the CTF recently described some stir-

ring tales happening out in the Rural Municipality of Wilton (southeast of Lloydminster). The supporter described how Wilton entered into a purchase agreement for over \$300,000 worth of gravel from the Reeve's land. The CTF followed up and obtained a document confirm-



tween? And why won't the Health Region share the details with the public? Those are two questions that the CTF will report on when (and if) more details emerge. **t**

ing the agreement. However, some of the information requested was missing in the response – such as who paid for fencing for the newly created gravel pit.

Meanwhile, that wasn't the only strange thing happening in Wilton. Get a load of the pay comparison between the Reeve and a Reeve serving a Rural Municipality of a similar size.

Based on numbers we've seen in the past, it's not Torch River that's out of line. We'll keep you posted as we continue to investigate the Rural Municipality of Wilton. **t**

Reeve Pay Comparison

Pop	RM	Reeve Name	Remuneration	Reimbursed Costs	Total
1,468	Torch River	David Smith	\$5,400	\$1,131	\$6,531
1,494	Wilton	Glen Dow	\$61,689	\$8,935	\$70,624

Sources: Respective 2011 RM Annual reports, Government of Saskatchewan

Around the Reserves



The CTF continues to work with grassroots band members in Saskatchewan to expose shenanigans and corruption in aboriginal communities. Here are a couple of tales:

Standing Buffalo:

As you saw in the "Teddies" section of this issue (p 24-29), we awarded the chief of the Standing Buffalo First Nation in Saskatchewan with the federal waste award. Here are a few more details on the situation Saskatchewan residents might like to see.

First, we spoke with band members about the situation and they described how there apparently wasn't money to address the youth suicide problem, and young people had trouble getting funding to take education courses. Amazingly there seemed to be enough money to pay the chief and almost all councilors more than Premier Brad Wall (\$158,566). Including pay the chief received from other public boards

he sat on, he ended up with more than Prime Minister Stephen Harper (\$315,462) last year.

Not bad considering Standing Buffalo only has 443 residents living there.

Kawacatoose First Nation

A year or so ago a band member described how a tornado ripped through the Kawacatoose First Nation. Not long afterward clothes, furniture and all kinds of other

donations began to pour in from across Saskatchewan. Yet, something wasn't quite right.

The band member we spoke with described how she filmed a bunch of the donations being burned at the dump – some still with the price tags on! We asked for a copy of the video, but it never materialized ... until recently.

Whistleblowers recently described to us how the video was uploaded to YouTube and band members tried to get the media's attention, but the story went nowhere. We described the situation to *Sun News' Lisa Mrazek* and she went out to the community to track down what happened. Well, one thing led to another and she ended up putting quite the story together! To get a flavour for some of the concerns we hear from whistleblowers on reserves, give it a watch on: <http://www.sunnewsnetwork.ca/video/search/all/burningmoney/2183305467001>. t

2011-12 Standing Buffalo Council Pay

Name	Months	Honorariums	Meetings	Total	Taxable Equivalent
Chief Redman*	12	\$78,022	\$116,715	\$194,737	\$317,583
Rodney Isnana	12	\$34,136	\$115,367	\$149,503	\$236,809
Arlen Yuzicappi	12	\$33,727	\$106,607	\$140,334	\$220,435
Vergil Bear	12	\$37,972	\$102,670	\$140,642	\$220,986
Dwayne Redman Jr.	12	\$36,237	\$96,899	\$133,136	\$207,581
Herman Goodpipe	12	\$36,157	\$84,004	\$120,161	\$184,412
Conrad Tawiyska	8	\$30,284	\$83,380	\$113,664	\$172,808

Source: Standing Buffalo 2011-12 Annual Report. * Chief Redman's Honorarium includes \$19,875 in pay from the Federation of Saskatchewan Indian Nations and Battlefords Agency Tribal Chiefs Inc. (Both are public bodies on which he sits as chief)

Hands off Crown Profits

It must be part of the job description for Saskatchewan MLAs – if you're part of the opposition, you condemn the government for using profits from the Crown Corporations to balance the budget.

However, if your party forms government, you then keep on using

Crown profits to balance the budget.

One thing is for certain: it's not a very good practice. As long as people are forced to buy certain services and products from the Crowns, profits from those bodies should stay with them to help reduce rates.

Thankfully, the government has

committed to let SaskPower keep its profits. However, what it should do next is guarantee that in legislation. Then, over time it could add other Crowns like SGI, SaskEnergy and SaskTel to the protection list. Tell your MLA what you think of the idea!



MANITOBA

CTF Helps Wake Up Manitoba Hydro



by Colin
Craig
Prairie Director

Recently the Canadian Taxpayers Federation helped bring a whistleblower's concern to light.

It seems back in 2004 the Chemawawin First Nation was given \$400,000 by Manitoba Hydro for a trust fund. According to the trust agreement, the band was not allowed to touch the \$400,000; it was only to use interest from the fund to pay for "the future costs of supporting Chemawawin's representatives on the Cedar Lake Resource Management Board."

Another Vote Tax

One would think two existing subsidies for provincial political parties would be enough. (Donations to political parties and campaign expenses are both heavily subsidized by the government.)

Unfortunately the NDP seems bent on taking even more of your money to create a third taxpayer-funded scheme.

As many of you will remember, a few years ago the government passed a bill which would have given each political party \$1.25 annually for every vote it received during the 2007 election. However, once the Progressive Conservatives refused the handout, so did

The CTF said scrap the scheme.

Yet, the band's recent financial statements show the account was nearly drained back in 2005 – less than two years after it was created. Today, there is just \$17,364 in the account, with a big IOU from the band for \$569,494. The whistleblower raised the question with Hydro and the media back in January, but no one seemed to pay attention.

After reviewing the issue with the whistleblower, the CTF then

the NDP.

Since the legislation required a review of the scheme after each election, the NDP appointed Professor Paul Thomas from the University of Manitoba to conduct the review.

The CTF met with him and recommended scrapping the scheme all together. We even presented data showing there was no evidence to support the 'need' for such a new scheme. After all, total party donations were up substantially over the past decade without it.

Unfortunately, he largely left the subsidy scheme in place. Now the question is – will the NDP take the money or not? Thankfully, the PCs have already said they won't. **t**

Hydro gave the band a \$400,000 trust fund and allowed it to only spend the interest. Today, there is only \$17,364 left in the fund.

wrote an open letter to Manitoba Hydro about the problem and circulated it to the media. A gem came from a story the *Winnipeg Sun* ran on the issue; Manitoba Hydro indicated it only "recently" found out about the funds being drained.

In other words, the agreement was breached eight years ago and Manitoba Hydro just found out?! Hopefully they'll answer our other questions about the situation, such as – how many other trust agreements have been breached that Hydro doesn't know about or didn't bother to track? **t**





MANITOBA

CTF's Pre-budget submission

This past winter the CTF prepared and distributed its 2013 pre-budget recommendations to all three main provincial parties.

So what was our top recommendation? Get spending under control!

Yes, the root of many problems in Manitoba lies with out-of-control provincial government spending. That's not rhetoric either. Provincial government data show that over the past decade the NDP has increased spending by more than double the rate of inflation, even when you take population growth into account.

It's a main reason why we pay high some of the highest taxes in Canada and why our debt is exploding.

Downsize the Bureaucracy

One recommendation we put forward was to aggressively downsize the bureaucracy as people retire. Fortunately for public sector employees and politicians (who would have to make the cuts), it could be done in a relatively pain-free manner.

Consider provincial government data that suggest over the next decade 39.5% of provincial bureaucrats will be eligible for retirement. Thus, as people retire, it would be a sim-

Colin presents the CTF's recommendations to Liberal leader Jon Gerrard

ple matter to not hire replacements.

Bloated health regions and school boards are likely experiencing the same demographic shifts and could do the same – refill necessary teaching, nursing and doctor spots, but downsize the massive administrations behind them.

Taxes

Our taxation recommendations were pretty straight-forward this year – no more tax hikes.

We've heard loud and clear from people that it's becoming pretty difficult for families and seniors to keep up. After all, everything seems to be rising a lot faster than people's paycheques – hydro bills, municipal property taxes, school taxes, provincial tax

hikes, etc.

One tax increase we focused on in particular was bracket creep. For those who aren't familiar with the problem, Manitoba is one of three provinces in Canada that still don't index their tax brackets for inflation. (Visit [BracketCreep.ca](#) to view a short video which explains how it works.)

You can find the whole report at [Taxpayer.com](#).

Small Thumbs Up to the City

Make no mistake, Winnipeg's 2013 budget was a disappointment.

However, there were a couple good initiatives passed down at city hall recently. In fact, the CTF has recommended them for years.

First, the councillors on the Alternative Services Delivery committee voted to look at contracting out the management of municipal golf courses in order

to stem the city's annual loss of about \$1 million through running golf courses. Next, the same committee also passed a motion to contract out custodial services in a number of city buildings. That move is expected to save the city almost \$1 million once fully implemented.

Bravo councillors! Now the trick is to keep repeating that process for other services to see if savings could be had.



Colin presents the CTF's recommendations to Myrna Driedger, PC finance critic



Ontario

Ontario's Next Budget: Will it be a *Wynne* for taxpayers?



by Candice
Malcolm
Ontario Director

Ontario is buried under a mountain of debt. For the first time in history, it is officially a have-not province, with the second-highest per capita public debt load in the country.

Every man, woman, and child in Ontario is on the hook for \$18,873. That is just for provincial debt; add an additional \$17,480 in federal debt liability, and Ontarians can imagine what their future taxes may look like. This year, Ontario paid over \$10 billion in interest on the debt, but should interest rates rise, that number could easily double.

Today's debt becomes tomorrow's taxes, and economic instability can easily lead to political turmoil, as we see unfolding across much of southern Europe.

Forecasts show no relief in sight. As the fiscal year comes to a close, Ontario experienced its fifth consecutive deficit – \$11.9 billion – and debt that is expected to surpass \$300 billion by 2015.

Could you imagine running a household or business this way? You couldn't; the banks would cut you off, take your credit cards away and seize your property.

But there is a glimmer of hope. While new premier Kathleen Wynne does inherit Dalton McGuinty's fiscal and political disaster, she has promised to address the fiscal mess. With a minority government in the balance,

Premier Wynne made a commitment to the Canadian Taxpayers Federation to eliminate the provincial deficit and begin paying down the enormous debt. She also committed to capping over-all spending increases to 1% below GDP growth until Ontario's debt-to-GDP ratio returns to 27%.

Whether or not Wynne realizes it, her commitment is a major undertaking. The current debt to GDP ratio is 37.7%, and expected to grow to 40% by 2014.

And remember the Drummond report? Economist Don Drummond was commissioned by the government of Ontario to diagnose what went

wrong with the books, and provide recommendations for digging the province out of the hole. The report made 362 recommendations, including caps and reductions on public sector compensation, and rejecting any increases in pension plans.

The report projects a \$30 billion deficit by 2017 if public spending levels continue. Premier Wynne suggests that she will get the deficit down to zero, but has not mentioned a single tangible item she will cut in order to get there.

In fact, her actions thus far indicate she is moving the other way. Her first move as Premier was to grow her cabinet from the 22 ministers under McGuinty up to 27.

The Throne Speech also re-committed to the 30% Tuition Grant, which was specifically mentioned in the Drummond Report as an item that must be cut.

As the next budget nears, let's not forget, public unions are some of Wynne's most active and powerful supporters. It's difficult to imagine her biting the hand that feeds her. **t**

Premier Wynne
promised to
eliminate the
province's deficit
and to start
paying
down the
debt.



CTF's Ontario Liberal Leadership Survey

Kathleen Wynne – at the time candidate for the Liberal leadership – answered the CTF's Taxpayers Survey about pressing fiscal and political issues in Ontario. While she started out strong with her optimistic promise to eliminate the deficit, Wynne's other answers seem to contradict her fiscal commitment.

To make matters worse, Wynne showed no interest in standing up to teachers. Given that Ontario's annual pension expense for the Teachers' Pension Plan has multiplied 17-fold and is projected to rise to \$1.2 billion next year, the CTF asked the now-Premier if she would enrol new teachers into a new program that offers pensions more in line with the private sector. She rejected this idea, stating: "I'm committed to staying the course on our economic plan. We need to ensure all Ontarians are secure in their retirement. I don't agree with Tim Hudak who wants to slash pensions and leave people stranded."

When it comes to the dreaded green energy file, the CTF asked Wynne how she would manage the Ministry of Energy's forecast that by 2018, the monthly residential electricity charge related to renewable energy will rise from \$2 up to \$31, and from \$38 up to \$500 for small commercial users such as a corner store. Wynne responded, again, by committing to the status quo, saying: "I'm committed to continuing to build a modern, reliable and stable clean energy system – one that is creating thousands of jobs, attracting investment, building a cleaner, healthier future for generations to come."



Wynne showed no interest in standing up to the teachers.

Albert Einstein (allegedly) said that doing the same thing over and over again and expecting different results is the definition of insanity. Maintaining the status quo established by McGuinty will simply drive Ontario deeper into the hole.

Wynne can either keep her promise to the CTF to balance Ontario's books or she can keep her

promises to her labour union and environmental activist friends. The CTF is hopeful that she will keep her promise to us and look out for the taxpayers of this province. Unfortunately, her initial actions suggest that she wants to cozy up to special interest groups and that she doesn't care about Ontario's overburdened taxpayers. **t**

Changing the Guard in Ontario

Candice Malcolm has been appointed the Ontario Director for CTF and brings a deep resume of advocacy, policy research, and writing. Originally from Vancouver, Candice has worked at the Fraser Institute, Atlas Economic Research Foundation, as a press secretary in Ottawa, and most recently as the research director at *Sun News Network*. She has a BA in political science and master's degrees in International Relations and International Trade Law. She has already hit the ground running in Ontario, and follows on the heels of former CTF Ontario directors Gregory Thomas, Kevin Gaudet, Tasha Kheiridden, John Williamson and Paul Pagnuelo. **t**





Premiers' Meeting Gift grab



by Kevin
Lacey
Atlantic Director

When Canada's premiers got together in sunny Nova Scotia for their annual gabfest last November, they parted with more than just handshakes and smiles. After all, what's a party without loot bags?

The Canadian Taxpayers Federation filed a Freedom of Information request and found that the Council of the Federation (paid for by all provincial governments) and Nova Scotia treated their guests to some of the province's finest offerings.

The gifts included:

- \$1,625 for 25 cheese boards (with beeswax) – Larchwood Enterprises
- \$1,653 for 38 whiskey tumblers in Titanic design – Nova Scotia Crystal
- \$35,654.35 for 400 microfibre jackets – Mee Fashions of Saskatoon



- \$780 for 13 sailboat dishes – Kiln Art
- \$1,875 for 25 Diamond Jubilee leather journals (limited edition) – L&M Highland Outfitters
- \$675 for 27 porcupine quill brooches – Little Arrow's Porcupine Quill Jewelry
- \$4,940 for 26 gift crates – Taste of Nova Scotia

The total budget for the meeting was \$110,054.90. The Council of the Federation paid \$72,691.57, while the Nova Scotia

Is handing out gifts to premiers and delegates really necessary?

government's share was \$37,363.33.

Some of the premiers' expenses for hospitality (food and drinks) were not included in this budget. Lobbyists, big corporations and interest groups with deep pockets paid another \$225,000 to wine and dine the pre-

miers, their staff and other delegates. Irving Shipbuilding Inc. – which recently received

\$304 million in grants and loans from Nova Scotia taxpayers – was among the contributors.

Is it too much to hope that rather than wasting taxpayer money on swag to spice up their conference, premiers would find ways to stretch our dollars and spend them on the things we really need? **t**

HST Comes to the Island as B.C. Pulls Out

April Fools' Day saw British Columbia pull out of the Harmonized Sales Tax (HST) – just as another province, Prince Edward Island, jumped in.

British Columbians had their say on the HST and killed it through a provincial referendum. Islanders are stuck with the new tax without the same courtesy: no referendum was held and an election is at least two years away.

There are some benefits to the HST. The previous 10% provincial sales tax was reduced to 9% and busi-

nesses will benefit from a reduced paper burden.

If government had left it at that, taxpayers might have supported moving to the HST. The problem is that governments get greedy, so when all is said and done, taxpayers will shell out more.





STRIP Criminal MLAs of Their Pensions

It was only a few short years ago that the Nova Scotia Auditor General released his audit of MLA expenses showing that some MLAs had improperly expensed everything from big-screen TVs to computers, cappuccino makers and home generators. His 2010 findings led to the RCMP investigating and eventually laying criminal charges against four MLAs.

In March, Russell MacKinnon, a former MLA and provincial cabinet minister, became the third former MLA to plead guilty to charges stemming from the expense scandal. Four days into his trial, he pleaded guilty in court, only to turn around and profess his innocence on the evening news.

He pleaded guilty to one count of breach of trust of close to \$11,000. His lawyer negotiated a joint recommendation on sentence with the Crown that was accepted by the judge. He received an eight-month 'conditional sentence' (four months of house arrest and four months of curfew), followed by one year of probation.

The real losers in this are the taxpayers. Not only did we shoulder



ificant costs of the audit, the police investigation and prosecuting Mr. MacKinnon, but now, while he sits at home serving his house arrest, he'll collect his very rich MLA pension. That pension is disproportionately subsidized by taxpayers: for every dollar that is contributed by a politician, the taxpayers put in \$22.

It's time for the Nova Scotia Legislature to stop elected representatives who have abused their position of trust from collecting their taxpayer funded pensions. Enough is enough.

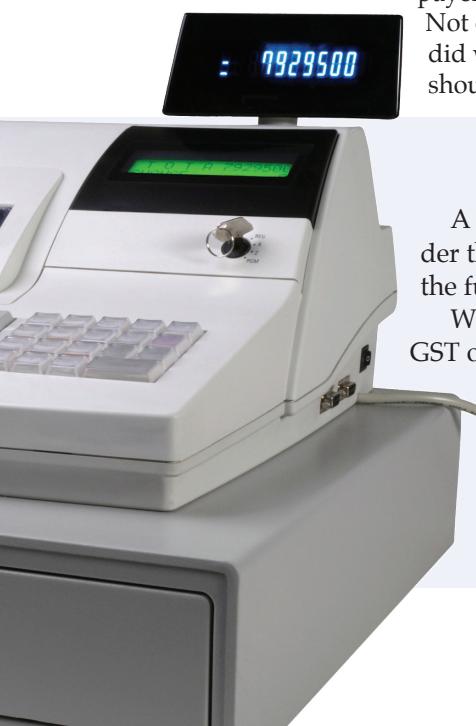
When politicians abuse the public trust and steal from taxpayers, they should not receive a pension.

There is precedent in Canada for adjusting the pension of retired politicians while they are collecting – New Brunswick did it in 2011.

It's important to note that these pensions are not 'vested' like those of other Canadians. The money does not sit in an RRSP or a company pension plan. Instead, pensions are paid directly out of the public treasury that pays for our doctors and teachers.

The CTF received wide public support after it urged the legislature to pass a bill ensuring any MLA convicted of abusing public money would no longer get a pension. Of course, politicians are paying closer attention to public opinion as we head into an election sometime in 2013. The government now says it will consider such legislation – but it would not affect the MLAs convicted in the expense scandal, only those who follow in their footsteps.

Nonetheless, such a bill would at least be a deterrent to any politician considering abusing the public trust in the future. **t**



A number of items that were exempt under the old provincial sales tax will now have the full 14% HST applied.

Where Islanders previously paid only 5% GST on gasoline, they now pay the 14% HST, costing them an additional eight cents per litre every time they fill up their cars.

HST is not a bad idea, but government just can't help turning it into a revenue grab.

on the www web

An All New Taxpayer.com!

After a year and a half of planning, tinkering, arguing and refining, the Canadian Taxpayers Federation finally re-launched an all new Taxpayer.com website this past winter. Here are some of the new features:

While not yet operational, a supporter-only website is in the works where you soon will be able to login and read both the current and back issues of *The Taxpayer* magazine online.

Do you "Like" the CTF on Facebook? Do you "Follow" the CTF on Twitter or Pinterest? You can do all three by clicking the quick links at the top of the page.

Select language function allows 99% of the content to be converted to French automatically. While not a perfect translation, it's close.

Check out what's happening on the CTF's Facebook page, or read up-to-the-minute tweets from CTF directors.

No more searching for the latest petition, it's right here on the front page.

Instantly watch news clips and CTF original videos.

Canada's debt is bigger, so we needed a bigger debt clock on Taxpayer.com

While we're still working out a few of the kinks, please stop by the all-new Taxpayer.com and let us know what you think.

Improved search function and easy to find search bar right at the top of the page.

Tab for all new events page, highlighting upcoming CTF events.

Supporters who make their donations online now have the option to leave a comment that will be displayed along with their name and donation amount right on the front page of Taxpayer.com.

Want to know which ones of your friends are fans of the CTF on Facebook or Twitter? It's right here.

On every page we have share and tweet buttons so that you can instantly share CTF petitions, news releases, commentaries or reports with your friends and followers on Facebook and Twitter. Taxpayer.com is fully integrated with all social network tools.

The screenshot shows the Taxpayer.com homepage with several highlighted features:

- Select Language:** A red arrow points to the "Select Language" dropdown menu at the top left.
- SUPPORTER LOGIN:** A red arrow points to the "SUPPORTER LOGIN" button at the top right.
- Facebook and Twitter links:** Red arrows point to the "Follow" and "Like" buttons at the top right.
- Search Bar:** A red arrow points to the search bar at the top right.
- Event Tab:** A red arrow points to the "EVENTS" tab in the navigation bar.
- Petition Section:** A red arrow points to a petition about the PST.
- Donation Comment:** A red arrow points to a donation comment from Paul Heer.
- Video Section:** A red arrow points to the "RECENT MEDIA" section.
- Debt Clock:** A red arrow points to the "CANADA'S FEDERAL DEBT" section.

By the Number



Budget 2013 Tariff Changes

In Budget 2013 the federal government changed the tariff rates it charges those companies which import goods from around the world for sale to Canadians. Some went up and some went down.

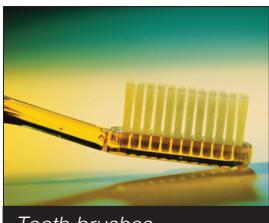
1,200+
products
from 72
countries
(including
China)

\$333 million
in tariff
hikes

Going Up



Rose bushes



Tooth brushes



Christmas tree lights



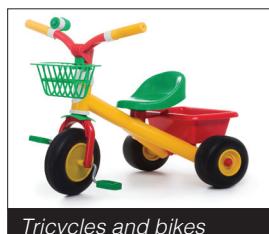
Ballpoint pens



Candle sticks



Ping Pong paddles



Tricycles and bikes



Curling rocks

37 products
world wide

\$76 million
in tariff
reductions

Going Down



Golf clubs



Snowboards and skis

Source: Mike Moffatt (<http://mmoffatt1.typepad.com/blog/>) - Mike Moffatt is an assistant professor in the Business, Economics and Public Policy group at the Richard Ivey School of Business, University of Western Ontario

Number of Alberta Government Liquor Control Board retail stores in 1992 (pre-privatization)

208

Number of retail liquor stores in Alberta today serving 3.6 million Albertans

1,314

Number of government-run Liquor Control Board of Ontario (LCBO) and The Beer Store, stores today serving 12.9 million Ontarians.

1,286

Amount of Canadian equities non-residents sold off in February 2013, the largest sell-off since October 2007.

\$11.6 billion

Growth of Canadian stock prices in February 2013, reaching the highest level since July 2011.

1.1%

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